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Foreword*

In this paper we intend to deal with some basic elements of Japanese industrial relations and simultaneously their counterparts, if there is any, existing in the Hungarian industrial relations system. The focus of this paper concentrates mostly on the recent features, but in some parts it briefly deals with the preliminaries of the recent situation.

The followed method is that in the „general introduction" part we shall introduce first the Hungarian economic, political and industrial relations background and then the basic features of the Japanese industrial relations. After chapter by chapter we deal with every one of the indicated features of Japanese industrial relations and enclose the Hungarian equivalent institutions or experience, then make some evaluation about the possible implementation of the Japanese institute, method, practice etc. in the Hungarian environment.

Finally we intend to collect some of the most important challenges and problems of recent development in both systems.

Beforehand, we would like to remark that the comparison between Japan and the recent Hungarian system is not an easy undertaking, because the social, economic, political, cultural and traditional background is quite different. Many times, even the basic industrial relations terms, like trade union, labor market, and so on are bearing different connotations. Generally speaking, only one common phenomenon can be found, namely the „challenge situation" which, in Japan, took place after World War II and in Hungary is taking place these years. Of course, there are several differences between the two challenge situations, but certainly one is common, Hungary has an endeavor to stabilize its economy and social order, like Japan did during the last couple decades.

Some words about our technics make the comparison clear. The text which is relating to the Hungarian situation is written by normal type letters. The Japanese parts are written by italics letters, and the comparative parts are written by bold type letters. This method hopefully helps to make this paper more understandable.

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1. General introduction

1.1. Economic and industrial restructuralization in Hungary

The main aspects of economic and industrial restructuring relate to macroeconomics stabilization, trade liberalization, and privatization and enterprise restructuring. The changes in the balance of labor force significantly represents this development. See some datas in *Table 1.(See tables in appendix)*.

1.2. Brief overview of the economic history after the New Economic Mechanism, 1968

Until the late 1960s, Hungary was a rigidly centrally planned economy. The New Economic Mechanism (NEM), adopted in 1968, was the first attempt at limited market reforms. The regulatory framework was adjusted, to limit the influence of central planning, and to permit more autonomous decision-making by state enterprises. Compulsory annual planning for enterprises was abandoned, prices were determined by the market forces of supply and demand, and some enterprises were permitted to participate directly in foreign trade.

Further reforms during the second NEM decade after 1979 aimed to increase economic efficiency. New pricing regulations were introduced, to connect most producer prices directly with foreign trade prices. And multiple exchange rates were replaced by a unified rate in order to prepare for the eventual convertibility of the Hungarian national currency. The banking structure was reformed, to permit the development of autonomous commercial banks.

1.2.1. The different bank systems and bank-company relationship

Some words about the different banking systems. In Hungary the banking sector is modernized and a two-tier banking system is in place to facilitate the replacement of central planning by financial intermediation and so brings market forces in the allocation of resources. Banks, however, which are overburdened by inherited bad loans and face the problems of undercapitalization in a very risky business environment, are reluctant to lend to new entrepreneurs with no reputation and limited collateral. The limited knowledge base of the new financial institutions and their bad asset position makes them very cautious in investing.

Recently, in Hungary there is a German-type, bank-based, system in the economy. It means that banks are allowed to hold equity and perform part of the economy controlling problem. The other type of financial relationship, the so called „stock-market based" system is only supplementary.[1]

[1] Gabor Hunya ed.: Economic Transformation in East-Central Europe and in the Newly Independent States, The Vienna Institute for Comparative Economic Studies, Yearbook V, Westview Press, 1994, pp. 152–153.

A short comparative remark. In contrast with the Japanese "ziabatsu", later keiretsu, practice[2] in Hungary the Japanese form of strong bank and company relationship does not exist. It means that the Japanese type strong financial, commercial and production interrelationships among several small-, medium- and big size enterprises does not support the stabilization of the economy. Naturally, the keiretsu system is a double sided coin. One side is, a strong and supportive collaboration among several participants in the economy which is very prosperous. The other side is, the situation of the companies and enterprises which are not able to participate in any of keiretsu. They are the losers of the keiretsu system and they are handicapped in the manufacturing process and on the market as well.

After this short comparison between the Japanese and Hungarian bank systems we are returning now to the development of the Hungarian economy. Significant efforts were also made to promote the development of small private industry, in the urban industrial and agricultural sectors. A main feature of the NEM was the development of the so-called second economy, in which workers increasingly engaged in productive activities outside the formal labor market structure.

Throughout the 1980's, Hungary borrowed extensively on international capital market. In the early 1980s the convertible hard currency debt amounted to approximately US$ 8 billion, but rose steadily after that until the gross dollar debt was over US$ 20 billion(or some 74 per cent of GDP) by November 1990.[3]

For international financial institutions and other creditors, concerns in recent years have related to a debt of over 20 billion US dollars, and also to the budget deficit which has been consistently larger than planned. This became a major issue by 1992, when in the context of a deep recession social expenditure was greatly exceeding the planned budgetary levels. Debt service payments were approximately US$ 3 billion in 1990, representing a debt-service to exports ratio of 45 per cent.

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[2] Zaibatsu and later Keiretsu means an industrial and financial combines of a conglomerate that grew to great size and attained a dominant position in the Japanese economy from the Meiji period. In the other words, this is a group of affiliated private business enterprises (enterprise groups). Beside the former zaibatsu keiretsu, like Mitsui, Mitsubishi, Sumitomo and so on, there are other forms of keiretsu, including kinyu (finance), shihon (capital), and kigyo (enterprise).

The *kinyu keiretsu* is a group of companies that have their highest borrowing from the bank that gives the grouping its name. The banking system has provided the bulk of corporate funds in postwar Japan and plays a more important role than shareholders' equity in corporate finance. Therefore, there is a great deal of significance to the grouping of companies around a „primary" bank. This is a special and strong interest link and tie between a bank(s) and certain companies.

The above mentioned other two types of keiretsu are not relevant to the current bank system's topic, but they organically belong to the basic significant features of Japanese industrial relations. Hence, we intend to deal briefly with them. First, the *shihon keiretsu*, is a group of companies with a common parent company. The many subsidiaries of Matsushita Electric from a group of this sort. The parent company in a shihon keiretsu typically holds 20–50 per cent of the stock of the subsidiary companies.

Second, the *kigyo keiretsu* is a group of companies that do subcontract work for the same firm. Large manufacturing companies often engage many small and medium enterprises as subcontractors, which are considered part of a keiretsu if they do the bulk of their business with one firm.

[3] Roger *Plant*: Labor standards and structural adjustment, ILO, Geneva, 1994 p. 138.

1.2.2. The adjustment process during the 80s and early 90s: A brief overview

The industrial policy reform program has been part of a larger reform effort aimed at macroeconomics stabilization and greater overall efficiency, centered around the three key elements of: a) increasing domestic and external competition; b) tightening financial discipline in the enterprise sector; and c) facilitating the mobility of capital and labor to enable the restructuring of the industrial sector. It concentrated on the most efficient subsectors and enterprises receiving the highest budgetary support; on cutting producer and consumer subsidies;[4] on strengthening tax reform; and on providing incentives for convertible currency exports.[5] In this assessment, the implementation of this program was not very successful through to the end of 1989, as macroeconomics management continued to falter, and excessive current account deficits in the balance of payments and increasing external financing deficits emerged. Moreover, enforcement of financial discipline by the enterprises was seen to lag, as the liquidation and restructuring plans of important enterprises were delayed.

The structural adjustment program was revised, when the interim government after 1989, and then the first democratic government (1990–1994) after April 1990, strengthened the impetus for reform. The revised program has been supported by an IMF Standby Agreement and World Bank Structural Adjustment Loan (SAL), approved in June 1990.

The first two years, 1990–1991, of the transition program were marked by significant economic contraction, with GDP falling by 4 per cent in 1990 and a further 7 per cent in 1991. The fall in output was concentrated in the industrial sector, largely as a result of the collapse in exports to the CMEA countries. In the meantime, fiscal and monetary policies were generally concerned with the objectives of stabilization, debt-service and reducing the role of the state in the first two years of transition. The rise in the budget deficit of 1991 was seen as the inadvertent result of the decline in taxable production, and the increased need for social security expenditures.

As Hungary has experienced difficulties in raising long-term finance from commercial lenders, borrowing from the World Bank and regular consultations with the IMF have assumed an important role in financial planning. The IMF provided a stand-by credit for US$ 360 million in May 1988, and a one-year extension for 1989/90. A further 206 million dollar loan from the IMF was agreed in March 1990, and a three-year compensatory financing facility of US$ 348 million in January 1991. An additional

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[4] During the socialist period the budget subsidiary for companies and the consumer price support was a common phenomenon. The reason why many companies were supported can be found in the feature of dominant state ownership. The state as an "owner" of the companies subsidized their operation. The fundamental problem with this subsidy was that it did not vary according to the companies' real performance. This public supportive system was a little bit similar to the Japanese zaibatsu.

[5] One of the most important basic problems, with the convertible export, was, which still exists, the lack of convertibility of the Hungarian currency. Within the former socialist block special commercial relations existed based on the convertible ruble. However, the ruble had only a so-called internal convertibility. The problem has been started when the CMEA co-operation system became too narrow for the healthy commercial relations and these difficulties enlarged when the system completely collapsed. The performers of the Hungarian industry and agriculture without enough convertible currency could not buy materials and products properly from the Western markets. Therefore, to survive this difficult situation they have had to improve their quality performance and commercial relations with Western markets. This endeavor can help to earn enough convertible currency which is necessary to increase their productivity.

three-year extended fund facility worth US$ 1.5 billion was approved in February 1991, to be utilized for economic stabilization and restructuring.

Some major indicators of economic crises at the beginning of the democratization period in Hungary were as follows:

a) the GDP declined by 4.3 %; (see *Table 2;3;4*)

b) internal expenditure and personal consumption decreased by 5.3 % and 4.5 %. respectively;

c) real wages declined by 5.1 %;

d) inflation (consumer price index rose to 28.9 %);

e) the number of unemployed rose by 2 % yearly;

f) the number of those living under the official subsistence minimum was estimated at 10 % to 17 % of the population.

Although the above figures appear to be frightening, they don't necessarily reflect realistic processes (as for their consequences for the workers, however, this statement is argued by several experts) due to the great, and growing, importance of the secondary economy and related (often clandestine) employment and invisible income in Hungary. (see *Table 5*) That is why it is difficult to see the real situation during this transitional period.[6]

1.3. Political context

The process of economic adjustment was greatly facilitated by political events after 1988. More stringent adjustment policies have been adopted, first after 1988 and particularly after the free elections of 1990. The stated objective of the new government, as set out in its Program for National Renewal, has been to create a so-called „social market economy" in which the private sector predominates, but where the more vulnerable social groups in society are protected through a social safety net. To this effect the government has designed a reform program for the transformation of Hungary into a competitive market economy within a 4–5 year period. Unfortunately, the result of this program is still waiting for the completion.

Important elements include fundamental reforms to the structure of ownership mainly through privatization programs. (see *Table 6;7*); the promotion of market competition through deregulation and the enforcement of financial discipline; and a restructuring of social welfare programs. The reform program is expected to be conducted with tight fiscal, monetary and credit policies to ensure macroeconomics stability.

In Hungary since 1989 in particular almost all elements of society have been subject to sizable adjustment. The entire legal and political system is now being reformed, as the process of economic and political liberalization have moved in tandem. Following the revision of a new Constitution in 1989, all major pieces of social, labor and employment legislation have either been revised or are currently in the process of revision. New legislation includes the April 1991 Employment Act, the 1992 Labor Code, and the 1993 Social Service and Social Institutions Act.

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[6] Lajos *Héthy*: Political changes and the transformation of industrial relations in Hungary, in John R. Niland–Russell D. Lansbury–Chrissie Verevis: The future of industrial relations, Global change and challenges; Sage Publications, 1994, p. 320.

1.4. A short historical overview of the development of Hungarian industrial relations

The economic transition since the late 1950s was accompanied by more limited reforms to the system of labor relations, which was referred to as the liberalization of the Stalinist model of industrial relations between 1966 and 1988. As employers and enterprises became more autonomous actors, this inevitably affected the role of the social partners in economic management. While employer and worker organizations continued to be dependent on the Communist Party, a greater role was given first to trade unions representatives in determining collective agreements and enterprise wage policies, and second to enterprise councils in deciding on major economic issues. These enterprise councils were set up in the state sector in the mid 1980s, comprised equally management and worker representatives, and were involved in decisions on such issues as production planning, marketing and pricing policies.[7]

By the middle of the 1990s, although parts of the adjustment process were only barely under way, two main issues of concern could be identified.

First, there were critical labor market issues related to employment policy, unemployment, re-employment and re-training (see details later). The level of unemployment had reached serious proportions, and further sharp rises of unemployment were anticipated over the coming years. Though significant unemployment had been seen as inevitable in short term, as a necessary consequence of privatization and reduction of over-manning in state enterprises, the extent of unemployment had nevertheless exceeded expectations, and was causing a certain amount of rethinking as to the relative priority to be given to active and passive employment policies.

Second, there were the issues related to the emerging industrial relations system, and the role of the social partners in economic restructuring. The Government has had to decide what aspects of labor relations should be regulated by law, to what extent is should intervene in issues including wage-fixing and employment security, and to what extent these matters should be left to bipartite negotiations between employer and worker groups.[8]

One more issue has to be mentioned, namely what is the importance of the labor relations system during the transitional period is.

a) On the one hand, conflicts in the relationships of workers, employers and the state have kept accumulating because of a decline in real wages (minus 20 per cent in the period 1978–88), rising inflation (20–30 per cent in the early 90s), an erosion of social benefits and menacing unemployment in particular because of the government's austerity policies. In this circumstances a well-functioning labor relations system is necessary.

b) On the other hand, a market economy and parliamentary democracy in Hungary is going to need institutional guarantees for the settlement of conflicts and the maintenance of cooperation among workers, employers and the State.[9] Some of these guarantees were enacted in the new Labor Code in 1992.

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[7] Roger *Plant*: Labor standards and structural adjustment, ILO, Geneva, 1994 p. 142.

[8] Roger *Plant*, pp. 142–143.

[9] Lajos *Héthy*: Hungary's Changing Labour Relations System, in György Széll, ed.: Labour Relations in Transition in Eastern Europe, Walter de Gruyter, New York, 1992, pp. 175–176.

1.4.1. The new Labor Code, 1992

The new Labor Code's concept, as well as the institutions that it introduced, and the regulations that it established, answers the standards of a market economy besides expressing the basic principles laid down in previous decades, weighed-down with overengineered, bureaucratic ties – it gives voluntary agreements of employers and employees first place. It lays down the rules and guarantees the freedom to organize into trade unions, institutionalizes workers' participation, creates the institution of work councils, and introduces a new process of settling labor disputes.[10]

Indeed, a Ministerial introduction to the Labor Code bill suggested that the underlying premise is a minimum regulation, providing for the withdrawal of state intervention, setting only the minimum standards for an employment relationship and leaving all other matters to negotiation by the contracting parties.

In addition, the legislators' undeclared intention was „to share attractive conditions of labor employment for foreign capital, to stimulate private investments primarily from abroad by offering them relatively cheap labor with little trade union protection and with little word in managerial decisions by employee participation (at least in comparison to West European standards)".

Perhaps the new Labor Code's major feature is to move away from the detailed and compulsory regulation that characterized labor law earlier, and to leave the maximum possible number of issues to free negotiation among the parties concerned.

One provision, dealing with trade union, of possible significance in the context of privatization is Article 22, stating that „Trade unions may request information from employers with respect to all issues that affect the employees' economic interests in relation to their employment. Employers must not refuse to provide such information or justification for their action."

Participate rights are exercised in the employees' name by the works council or the shop floor officer, elected by them; and the works council has to be elected at every employer and every business establishment where the number of employees is over 50 people.[11] There are also provisions requiring the employer to elicit the opinion of the works council on issues including measures such as privatization that will impact upon a major group of employees, plans for employee training or ideas concerning employment subsidies, or the introduction of new methods for work organization and performance requirements.[12]

1.4.2. New perspectives in the industrial relations

In 1989–1990 new perspectives opened up for changes in industrial relations. These included:

a) the exclusion of the Communist Party (and any political actors) as a participant in industrial relations;

b) the final separation of government, trade unions and employer's organizations, the latter appearing on the scene as autonomous actors dependent on their membership;

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[10] Article 14, Hungarian Labour Code, 1992.

[11] Articles 42–69, Hungarian Labour Code, 1992.

[12] Roger *Plant*: Labor standards and structural adjustment, ILO, Geneva, 1994 pp. 156–157.

c) the lifting of the legal barriers imposed on free collective bargaining (by the Labor Code amendments of 1989 and the new Labor Code, 1992) and efforts to build up a multilevel mechanism of bargaining;

d) the recognition of collective labor disputes, including those over interests (Strike Act was adopted in 1989);

e) the establishment of a national tripartite institution of social consultation (National Council for the Reconciliation of Interests); and

f) the adaptation of the earlier schemes of workers' participation to the conditions of privatization and a market economy (Workers Ownership Program, and work councils).

There are still a lot of experiences for Hungary to learn from the reorganization of large state-owned companies in Western Europe and Japan over the past 15 years which is of relevance to the intensively emerging privatization period in Hungary. The streamlining of public sectors companies in the market economies was in most cases not achieved through a sudden regime-change but through the gradual but sustained imposition of an „increasingly hardening budget constraint".[13]

The current situation, as above mentioned, in Hungary is, in one respect, similar to Japan after the Second World War when it embarked upon industrial policy. At that time Japan had a clear vision of which product markets to enter and which industries to develop. The example of the developed market economies determined the pattern. In a sense the same is true now for the Hungarian economy. The broad trends of market reorientation are known. The basic direction, in Hungary as well, in sectoral reallocation is clear: increase the role of tertiary activities, reduce the share of heavy industrial, heavy chemical, and metal-producing industries.[14]

In addition, Japan had a clear economic and political aim, namely to catch up with the developed nations, mostly with the developed Europe and with the USA, and politically to set inevitably up the institutions of democracy. Therefore, the export orientation is a clearly distinguishing characteristic of successful catching-up processes. Most of the successful catching-up economies made export performance a central target around which the overall process was organized.

Contrary, in the Hungarian case, the shortage of hard currency and the heavy burden of foreign debt makes it even more important to exert strong pressure on export performance.

There are a number of additional factors which are inevitable during the transitional period in Hungary, such as:

– the dramatic impact of the loss of traditional CMEA export markets;

– the strong pressure exerted by international organizations (i.e. IMF, World Bank) to achieve external balance and at the same time Hungarian government's desire to join to the EC;

– the high demand for imports both for consumption purposes as well as an important ingredient into the process of restructuring itself.[15]

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[13] Gabor Hunya ed.: Economic Transformation in East-Central Europe and in the Newly Independent States, The Vienna Institute for Comparative Economic Studies, Yearbook V, Westview Press, 1994, pp. 147–148.

[14] Gabor Hunya, pp. 148–149.

[15] Gabor Hunya, pp. 149–150.

There are a number of areas which can play a significant role during the transition period and even after it. These are:

– infrastructural investment;
– training;
– Research and Development activity;
– financial institutions (especially which have some distinguished aim, like support for small- and medium size enterprises, etc.;
– small- and medium size enterprises;
– takeover and merger policies and control;
– joint ventures;
– foreign direct investments (see *Table 8*);
– privatization; and
– export promotion.

For example, the infrastructural investment and development is a very important aspect of industrial support. Transport and communication facilities are generally seen as an important bottleneck in the development of industrial activities. Some experts estimate that the annual loss of GDP directly related to the poor level of telecommunications services amounts to 4–5 per cent of GDP in Hungary. An additional 3–4 per cent is accounted for by the lack of reliable road transportation and a further 2–3 per cent loss comes from environmental damage.[16]

After the brief Hungarian introduction we shall introduce some basic elements of the Japanese industrial relations.

1.5. General introduction to Japanese industrial relations

First of all, before discussing some inevitably important elements of the Japanese industrial relations we would like to present here some general datas, as basic background information, about the Japanese labour market. (see *Table 9, 10, 11*).

From now, we are concentrating on the special issues of Japanese industrial relations system Generally quoted basic pillars of Japanese industrial relations are: a) lifetime employment; b) seniority-based wages; c) enterprise unions, and d) the philosophy of cooperative management.

Three of the basic elements of Japanese industrial relations, namely lifetime employment, seniority-oriented promotion and enterprise-based unions, were criticized, mainly by American scholars, as being reflections of feudalism. One of the main reason for this blame is that lifetime employment, seniority-based systems and enterprise unions are solely the patterns of male workers in large-size enterprise.[17] This used to be considered as a special feature of the Japanese industrial relations model.

As a matter of fact, these features of Japanese industrial relations in question differ from the cases of small-size enterprise workers and female workers, who are not entitled to lifetime employment nor to seniority-based promotion, although they are associated with the large-size enterprise workers who played the central role in Japan's economy after the war. Enterprise unions are not popular among small-size enterprises,

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[16] Gabor Hunya, pp. 150–151.

[17] Mikio *Sumiya*: The Japanese industrial relations reconsidered, The Japan Institute of Labour, Tokyo, 1990, p. 136.

either. The percentage of large-size enterprise male workers, who are involved in this system, is therefore lower than 30 % of the total workforce.[18]

The co-operative type Japanese style labor-management relations are not as those between two distinct identities, labor and management, but are relations that connect both parties in an inclined relationship. Labor is, therefore, accepted as a member of the organization and is not regarded as an alien component.[19]

However, reflecting on the cooperative management-labor relations practice Abbeglen writes: It (Japanese industrial relations) is in many ways a more human, less brutal system of employment than the West has developed. It certainly is characterized by less conflict. Both its economic effectiveness and its social value work to maintain the system.

Another feature of the Japanese industrial relations system is the so called „personalistic internal industrial relations". Personalism regulates the whole employment relations, in that blue collar workers who have worked for certain periods are promoted to foreman, and white collar workers can be promoted to managers. In Western countries, as well as in Hungary, there is a difference between foreman and workers, a distinction between the manager and the managed, which does not allow, or very seldom, promotion from the lower to the higher. In Japan, however, this promotion is a routine matter of course, with no social or psychological discord among workers who work under such a foreman.[20]

Personalistic industrial relations are not regulated by job function or framed by the workers' manpower, but by personal properties, such as sex, age, education, experience and length of service.[21]

Consequently, the lack of opposition and dispute between labor and management, mostly in big companies, may be the most important feature for summarizing labor-management relations in modern Japan.[22]

We call the Japanese industrial relations a multiply distinct system. One reason is that the above mentioned basic characteristics of the Japanese system can be applied only for male employers in big companies. Inevitably, they are the backbone of the Japanese industry, especially if we are taking into account the feature of kigyo type keiretsu system which involves many of the small- and medium size enterprises in the big mother company's interest circles. Consequently, this keiretsu virtually behaves as a unified big company. Second, the increasing number of irregular workers (part-timers, contract workers etc. and small- and medium size companies, mainly because of the change in the industrial structure, give a new perspective and challenge for the traditional Japanese type industrial relations system. Third, the cyclical characteristics of world economy, which play an increasingly important part in the Japanese economy, the emerging of new challenging fields in the tertiary sector, like services, research, development, communication and result in the companies making significant efforts to be as flexible as possible.

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[18] Mikio *Sumiya*, pp. 122–123.
[19] Mikio *Sumiya*, pp. 127–128.
[20] Mikio *Sumiya*, p. 134.
[21] Mikio *Sumiya*, p. 136.
[22] Industrial relations system in Japan, A new interpretation, Yasuo Kuwahara, Japan Institute of Labour, 1989, p. 8.

If these two trends, namely sectorial changes and the cyclical features of world economy, are taken into account simultaneously, we hardly believe that the Japanese internal labor market will be able to give a proper answer to this double challenge. One example: during the so-called oil crises in the 70s and 80s the Japanese economy and industrial relations could survive without significant negative losses. Naturally, for the sake of stabilization the Japanese government and employers made an enormous endeavor. We believe that the main contributor to this success was a) the existence of the internal market, b) the enlarging irregular type employment relations and the single, only economic, challenge. At that time the second challenge, namely structural changes, has not been appeared in the widespread manufacturing industry. On the other words, the Japanese economy basically had to face to only one serious problem. That was the economic crisis. In that time the second challenge, namely bulk sectorial changes or restructurization of the industry and market, has not yet appeared. On the contrary, the sectorial changes helped to settle the economic crises. Unfortunately, recently the above mentioned double challenge, economic crisis and restructuralization, appear together and cause serious problems for Japanese enterprises.

It is not so surprising that the so called „Lion-like feature" of Japanese companies, mostly small- and medium size and some big ones, has been increasing. It means that they are eager to keep their subsidiaries and subcontractors alive, because this is their own interest. In a pinch, they would not hesitate to sacrifice them if their interest required it.

Another fundamental issue (bottom-up management) is whether the „typical" Japanese company is really the bureaucratic type (workers can become managers and even directors as a matter of seniority based order, the company where top management derives purely from inside promotion of hardworking life-time employed salarymen). However, many directors are the founders of certain big, but most often small- and medium size companies. It may even occur that not only are they presidents but their children, relatives and in-laws are company officers and so on. This is some kind of survival of zaibatsu. Naturally, more democratic companies where ownership is more diffuse, tended to spread control more widely.

Furthermore, there is the so called ringi-sho or memos written by lower level personnel and channeled upward for approval. Furthermore, there are meetings or kaigi, and nemawashi (or root-binding), where someone promoting an idea consults individually with those concerned, winning them over one by one. All looks very Japanese, but the question obviously arises, whether this system can work in the international competition.

1.6. Basic consideration of the human structure of Japanese industrial relations

The industrial relations in Japan are far from the European class structure model and also far from the American model. Because they have an extremely ambiguous distinction between labor and management. In more positive terms, the two are indiscreet. From historically aspects, that unskilled workers in labor markets in Japan became skilled workers by accumulating experience; skilled workers climbed several steps to fill the positions of shop managers, from foreman to low level engineer. This upward movement, from worker to foreman after the worker had served for a certain

length of time, still exists today in work places where the Western type distinction between the manager and the worker is not present. The manager and the managed are indiscreet in this sense.

In this sense, industrial relations in Japan are neither genuine class relations nor a vertical two-layer structure and can be termed „inclined" industrial relations. However, the worker could become a low level manager by accumulating experience, and rise further to become the owner of a small-size enterprise in a society in which indiscreet relations between managers and labor were maintained. This situation has been institutionalized as a seniority based system.[23]

The whole Japanese factory is organized from top to bottom and up again in a systematic, circular method. This means that delegation of duties, understanding of what needs to be done, discussion of decision-making, quality control, worker input, manager input, is structured as a complete system, with no separations or unlinked elements. This systematic approach is very much akin to the way the Japanese society functions. Everyone knows their positions, their place, and understands their relationship to everyone else and what they have to do.

A good example of this philosophy is the way that quality, „just in time" method, or „Kaizen", continuous improvement processes are not implemented in isolation, as it is often the case in Western companies, but take place in a holistic systematic way that permeates the entire organization.[24]

In the paternalistic management system in which workers are members of the enterprise, the employer prepares for workers to serve for a long periods and adopts lifetime employment as the ideal choice in his fundamental employment policies. Workers expect employment security and promotion in the enterprise where they are employed, and eventually work there until their age limit.

In small- and medium-sized enterprises, however, paternalistic relations such as the lifetime employment system have not been fully implemented yet, due to their unstable business operation and the limitations of chances for promotion and wage increase.

A number of older managers said that they felt the Japanese huge economic development had happened because of the tremendous insecurity that had occurred after the Second World War and the poverty many of their families had suffered. Certainly, the experience made many of these people very fearful of poverty and of lower standards of living.[25]

The above mentioned stimulation was typical of the post-war generation. Nowadays, two new groups have appeared in the Japanese society. One is the „dankai no sedai",people in their fourties, who experienced various influences, like the wind of democratization after the war and the student movement in their school age in the 60s, the consequence of the baby boom effect, namely the continuos competition in their life and so on. Second, is the „D.I.N.Ks" or Double Income No Kids generation. They were born in the wealthy, their life is without significant social problems and they pursue a relatively carefree life.

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[23] Mikio *Sumiya*, p. 125.
[24] Ruth *Taplin*: Decision-making and Japan, Japan Library, 1995, p. 66.
[25] Ruth *Taplin*, p. 78.

In addition, the increasing number of students studying abroad also bring some „western" effect into the Japanese society and naturally into the workplace relations as well.

2. Lifetime Employment System

Lifetime employment as one of the basic phenomena of the Japanese industrial relations system is well known. This is also one of the core points of the effective employment security policy.

At the beginning of industrialization in Japan lifetime employment was not known. Instead, in the early stage of industrialization the high labor mobility was the significant feature. In that sense in the initial period the Japanese and Western industrial relations had the same structure.

At the beginning of Japanese industrialization the family-ism in management was common, then at the beginning of the 20th century this got under way with all the necessary conditions in its favor. The sudden expansion of the economy resulting from World War I was accompanied by the upheaval of the labor market. The shortage of labor, especially skilled labor, greatly stimulated labor mobility. Even workers who had been trained at great costs by a particular enterprise were often lured away to other factories by higher salaries.[26]

Because of the lack of skilled employees intensive movement from one company to another endangered the stability of labor relations. To stop the huge labor fluctuation and for the sake of stability in the industrial relations it seemed necessary to introduce a new labor policy. In their relation to the labor market, the new policies appeared in the form of a system of hiring labor only at a fixed time, once a year, and also a system of pay rises at regular intervals. The new system of regular pay increase, though likewise predicated on the assumed relationship between the years of experience (length of service) and the degree of skill (ability of the worker), was introduced essentially as a means of lengthening the period of the workers' continuous service.

The result of this system was twofold: One, a worker who had once worked with, and then quit, a large company, found it impossible or very difficult at best to get a job in another large enterprise again. Second, because the duration of the service became the greatest determining factor, a worker's, who quit and was hired again, former years of experience would be evaluated, in terms of pay increase scale, at a rate lower than if he had served with the company from the beginning. Therefore, the lifetime employment system together with the seniority based wage system gives a great impetus to the workers for staying with one company for a long period of time.

Under the system of long-term employment working conditions were largely determined within each enterprise, on the basis of its business performance and through union-management negotiations.[27]

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[26] Mikio *Sumiya*, p. 34.
[27] Mikio *Sumiya*, p. 58.

2.1. Formal and informal training schemes

One of the basic elements of the Japanese life time employment and total quality management (see later) is the continuous and general training. In the Japanese company, on the job, training is part of the whole system just as other aspects, such as quality control, are integrally linked to all aspects of company organization.

While in western companies, among them Hungarians as well, training tends to be very much compartmentalized and done on a specialized, formalized basis. The western managers, rather than learning through role-models and mentors, which is generally accepted in Japan, learned by being given responsibility quite early on in their job training. They were given challenging assignments in which they had to learn, otherwise they would fail – a kind of sink or swim survival mentality.

In Hungary we call it: „throw into the deep water" practice, which means that without exact and elaborated preliminary training or even if he/she has a good training, but has no or not enough practical skill, he/she has to fulfill certain job or position and find his/her own way in the new work environment.

Another significant fact is that the majority of Japanese managers have university or even some kind of post-graduate degree from one of the well known Japanese or foreign universities (see *Table 12*).

Hence, the managers often knew each other as peer group members from the same university. (I call this phenomenon some kind of second zaibatsu or personal interest-linkage.) This is a very important cohesion.

Higher education in Japan is often integrally linked to the needs of business. Contrary, in Hungary the relationship between industries and universities is weak.[28]

2.1.1. Human resource training problems in Hungary

Past industrial development has led to a dramatic underdevelopment of certain skills and activities, particularly managerial skills, marketing, product design etc. In such conditions, where the general level of the skill of production workers is high but important complementary skills and activities are missing or are in very short supply, one can expect strong effects of industrial policies if one is able to stimulate the supply of those complementary inputs.[29]

As the World Bank report, in 1989, argues, an underlying problem is the inadequacy of the education and training system for the emerging market economy in Hungary. A mismatch between existing skills and new requirements is seen as pervasive.

a) First, appropriate retraining and adult education must be instituted to facilitate the reentry of displaced workers to the labor market.

b) Second, the education system must be reoriented to provide better training to the new generations. The quality and cost effectiveness of youth training and higher education are seen as particularly urgent (see *Table 13*).

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[28] Ruth *Taplin*, pp. 80–82.

[29] Gabor Hunya ed.: Economic Transformation in East-Central Europe and in the Newly Independent States, The Vienna Institute for Comparative Economic Studies, Yearbook V, Westview Press, 1994, p. 144.

World Bank credits have also been provided for the strengthening of employment services, through its Third Industrial Restructuring Project. Resources have been provided for the development of model employment services, including: program planning and evaluation systems; occupational information, assessment and job search strategies; and industrial adjustment services for mass lay-offs.[30]

Reforms to the training system as related to employment, including vocational training within schools and adult education, have been an important aspect of the transition program. Institutional responsibilities have been divided between the Ministry of Education, responsible for the administration of youth training in secondary vocational schools; and the Ministry of Labor, responsible for the vocational curriculum. An autonomous National Training Council has been created to administer adult training, funded by the employment fund and the state budget.

3.2. Seniority system

Another, above mentioned, basic characteristic of Japanese industrial relations is the seniority system. However, the seniority-based system in Japan applies not only to wages but also to promotions. It means, when a worker has served in the same company with a good record for 15 or 20 years, he is automatically promoted to foreman. There is thus a continuous flow of rank-and-file workers moving up to the position of foreman.

Two important element of the seniority system are – the age of the worker and his length of service – the latter was more emphasized in the pre-war years. After World War II, the emphasis has shifted to the age element.

The systems of promotion and wage determination do not basically operate with reference to the job but to a worker's personal attributes. They are essentially seniority-based systems. The wage rates based on seniority or years of service are then supplemented through a system under which basic wages are raised for individual workers by a set annual increment at a specified time. In addition, the amount and pace of wage increase also vary slightly according to a worker's ability and his/her merits.[31]

Historically, in Japan the employer's initiative was important in the formation of the seniority system. But, as a contrary action the unions aimed to weaken workers' loyalty to their forms which were behind the seniority system. The labor unions have endeavored to reduce the roles played by employers in the revaluation of skills, performance and conduct of workers, with a view to checking the subjectivity and arbitrariness of employers, and mitigating the „loyalty competition" among workers.[32]

The nenko-based (seniority-based system) skills are one of the basic determinants of Japanese industrial relations as they constitute a system of administered wages, which on the one hand makes workers receptive to the paternalist ideology, and on the other hand functions as the pillar of lifetime commitment and a guarantee for subsistence, including lifetime employment, advancement, wage promotion, severance payment, and fringe benefits, thereby making the status-based hierarchy cover the entire labor force.[33]

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[30] Roger *Plant*, pp. 147–148.
[31] Mikio *Sumiya*, pp. 67–68.
[32] Mikio *Sumiya*, pp. 51–52.
[33] Mikio *Sumiya*, pp. 70–71.

Naturally, some kind of seniority system exists in Hungary too. It appears mostly in the wage differences and some promotion among blue-collar workers and administrative office workers. However, the strictly regulated and one way Japanese seniority system is unknown in Hungary. Nowadays, in managerial circles the age does not matter, because everything is determined by the actual skill. It is not rare to see top managers in their thirties and early fourties. They are success motivated persons and their employer knows it and intentionally hires them to fulfill some task or drive the company into success.

4. Labor Unions

4.1. The socialist type unions and their „transmission belt" roles in the early socialist period in Hungary

4.1.1. The main changes in the trade unions during the early communist period

The communist political power began (in 1948) to enforce the re-shaping of the trade union movement in three main spheres:

a) organization and structure;

b) personnel (we shall not deal with it here) and

c) function.

The *organizational* re-shaping of the basically craft-based and locally organized trade union movement was formally decided at the 25th Congress of the Trade Unions in 1949. The Congress proclaimed that a) there was a single interest in society and that the party had the authority to designate and guide trade union policy and practice. It required, secondly, that b) the affiliated unions amalgamate and reorganize themselves on monopolistic industrial lines in 19 branch unions. c) Third, the locally organized union sections were required to reorganize into enterprise sections, whilst the company-level multi-union system had to reorganize itself into a one-company one-union system. The enterprise union section had, moreover, to unite all employees regardless of their professional divisions and without distinction between the rank-and-file and managerial personnel, even up to and including the director of the company. d) Finally, the internal organizational principle was to be democratic centralism. This meant that once a decision had been passed by central organs, like polit-bureau or SZOT, it was obligatory to implement it without expressing opposing opinions.

The *functional re-consideration.* A new set of functions was determined for the re-shaped and now subordinated trade unions. These were, first, to organize the workers for the over-fulfillment of the production plans, to organize the various socialist emulation campaigns – such as Stakhanov campaign – and to combat shirkers and norm defrauders. A second of their functions was to take part in distributing the state and enterprise welfare benefits and to organize communal entertainment and cultural programs. In this role the unions functioned as a quasi-governmental department at the national level and as a welfare department of the firm. Thirdly, the unions provided a career for future cadres.

The unions thus became a subordinate organization of the oppressive political dictatorship. They were directly guided and controlled by the communist party at every

level of their activity. The unions were the „transmission belt" conveying central economic policy. The centralization of economic management and the direct and tight government control over production and wage rates terminated any scope for bargaining over performance or wages. The unions were detached from their original social functions: from the integration of workers into professionally based organizations, from achieving autonomy, fair wages and conditions for their members through the control of a given segment of the labor market and the work process, and through collective bargaining. The new function of the unions became, through fulfillment of the transmission belt role, to restrain worker demands. As the official workers' interest-representing organization became a part of the political-economic management, the function of such a union was to prevent a particular worker's interest from being raised and to render impossible formalized action to safeguard terms and conditions. Although almost every worker was obliged to become a trade union member, the members could not control the organization.

Because of severe political suppression, the separation of the interests of workers and the party controlled trade unions could only be manifested in the 1956 revolution. During the revolution of that year the workers began to set up workers' councils and the trade unions effectively ceased to exist at the workplace level. In the last days of the revolution, the workers' council began to form regional and national-level bodies.[34]

After the revolution of 1956 the earlier trade-union structure was restored though with strict party control. After the consolidation, the Kadar regime strove to avoid the extreme hard-line Stalinist policies and committed itself to raising the standard of living. From the mid-1960s, a slow reform began leading towards a more enlightened political regime and a mixed economy. This was accompanied by a loosening of the tightly centralized economic management. After the introduction of the New Economic Mechanism in 1968, the independence of enterprises from central government grew substantially. Each company could build up its own internal production methods, management style, labor policy, internal labor market and welfare policy. As the political and economic environment of the unions changed, the viability of a transmission role for the unions decreased.

The expectation that trade union organization could be tightly controlled and dominated by the center ceased to exist. Trade unions were able to adopt a double function. The transmission belt role was retained, but they could take up the representation of workers' interests. The SZOT policy of top-down determination of lower union affairs eased. The facade of the monolitich industrial structure of the trade union movement however, remained untouched. The centralized structure survived and maintained an independent policy-making role in the upper layers of the trade union hierarchy. But this upper level gradually lost control over the enterprise union sections. A covert enterprise unionism began to develop behind the unaltered facade of the monolitic union structure. The enterprise union sections began to coordinate their activity with the interests of their enterprise. Through this development, these sections became the partners of their company management rather than transmission belts at the disposal of the upper union headquarters. The interest representation of the workers

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[34] András *Tóth*: Great Expectations – Fading Hopes: Trade Unions and System-Change in Hungary; Parties, trade unions and society in East-Central Europe, ed.: Michael Waller and Martin Myant, Frank Cass Ltd., 1994 , pp. 86–89.

therefore came to mean greater interest representation of a given company in its struggle for more resources from redistribution agencies at government level.

The development towards enterprise unionism was legitimated finally by the amendment of the Labor Code in 1968. The Code outlawed multi-employer collective bargaining, and preserved and arbitration right for the upper level of the union hierarchy only in cases of disagreement at the company level between management and the enterprise's trade union section. The Code had decentralized all trade union rights to the enterprise level making collective bargaining at the company level between employers and the respective trade union section obligatory.

The Code also designated a new role for the enterprise sections. These were given the power to exercise participation rights as the representative of all employees in the given enterprise.[35]

4.1.2.1. The structure of the company union section

As we mentioned earlier, each enterprise had only one union section. Virtually all employees were members of this section, including top management of the company.

The union section's organizational structure followed that of the enterprise. Each level of the company hierarchy had a corresponding union activist partner: a shop steward corresponded to a foreman, a senior shop steward corresponded to a supervisor and a union secretary corresponded to the director respectively.

Alongside the vertical structure there were trade union committees corresponding to the functional departments of the management: the social and welfare committee corresponded to the welfare department, whilst the economic committee corresponded to the financial department. The executive committee was the top board of the section. It consisted of senior shop stewards and presidents of the functional committees. Democratic centralism remained the internal organizational principle. The company's party organization exercised control over the staffing and policy of the union section.[36]

4.1.2.2. Twofold role: Manager and trade union leader positions in the same hand

One of the main characteristics of the staffing practice of the enterprise unions was the enforcing of managerial personnel into union leadership positions.

Occupation of union leadership positions was usually by middle and lower management. The majority of cases, the shop steward and senior shop steward positions were occupied by foremen, head of the sections or deputy supervisors. The president of the executive committee was a deputy supervisor, who was also the senior shop steward at his shop. The supervisor of the maintenance shop was the chair of the economic committee of the trade union section – although a foreman was the senior shop steward at this maintenance shop.

Besides this doubling of roles, the relationship between management and unions was also determined by personal relationships.

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[35] András *Tóth*, pp. 89–90.
[36] András *Tóth*, pp. 90–91.

Because of the tendency for management to hold union leadership positions the workers could not depend on the union to defend them against management arbitrariness and represent their interests against the management. Many times the unions even placed themselves on the side of management and turned against the workers' interest.[37]

The workers, however, were able to develop individual strategies to compensate for the missing union roles, the unions themselves becoming indifferent to the workers' viewpoint. Most of the employees could make up for their disadvantaged positions in their employment through the second economy. The second economy gave workers the possibility of reshaping their expectations towards the enterprise. They could work out a balance between internal labor-market positions and second economy activities.

The coincidence of a labor shortage and this second economy allowed the workers to accept the goal of the management to create an internal labor market. In response, the workers developed different labor market strategies.

Because the trade unions were expropriated by the management and there was a ban on grassroots associations, the workers through turnover, absenteeism or going slow covertly and informally tried to safeguard their individual interests and informal bargaining. It was possible to break the contract and easily find other work, because of the labor shortage. Through overmanning it was possible to occupy a relatively low-grade job in exchange for relatively loose management control and relatively low expectations of efficiency, and work in the second economy.

4.1.2.3. Co-operative collaboration

Co-operative collaboration connotes the way in which an enterprise union acted and practiced its rights. The relationship was characterized by mutual trust between the management and the union rather than antagonism and confrontation.

One good example of co-operative collaboration was the negotiation process of the collective agreement. This process consisted of the following steps. First, the director of the company and the secretary of the company trade union section sent a jointly-signed letter to every supervisor and to the corresponding senior shop stewards.[38] Second, every shop-floor local section of the union held a meeting with its shop steward and with the representative foreman.[39] At the meeting, they decided together which questions should be amended in the agreement. Third, shop stewards held a meeting at senior shop steward supervisor level, where they summarized the amendments. The corresponding supervisor also participated in that meeting. They made a common decision, which led to cases being taken to enterprise level. They composed a joint record which contained positive and in very few cases negative proposals as well. Fourth, the executive committee of the section, with the participation of the director, made proposals to amend the company collective agreement. Fifth, the trade union executive committee negotiated with top management to sign the agreement.[40]

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[37] András *Tóth*, p. 94.

[38] This letter states that the existing agreement is about to expire and calls upon them to evaluate the implementation of the agreement and make their proposals to amend it.

[39] At these meetings, the workers expressed their problems concerning the agreement and proposed amendments to it.

[40] András *Tóth*, pp. 92–93.

It has to be remarked that the contents of the collective bargaining were not significant. The logic of the socialist industrial relations, if existed any, was centralized. Namely, every important issue related to the working conditions, as well as the wage system was regulated centrally by the Parliament, legislation, and by the Government regulations and so on. Therefore, the content of local or enterprise level industrial relations was very limited (see details later).

4.1.2.4. The main function of trade unions

The main functions of a union section in an enterprise were a) to participate in the decision-making process so as to determine company strategy and policy; b) to regulate employment through collective bargaining; c) to fulfill welfare services, and d) to represent the interest of their members.

A. In the enterprise the most important forum of decision-making was the so called „company-quartet". The quartet consisted of the director of the company, the secretary of the socialist party branch unit, the Young Communist League[41] and the representative of the trade union. The quartet had a weekly meeting, and all the important questions relating to the company were on its agenda.

Beside this participation in the quartet, the Labor Code stipulated that in every question that might affect employment the management had to ask the opinion, or gain the assent of the trade union section before the decision was made.

B. Collective bargaining was the main tool available to unions for regulating employment in conjunction with management. Although bargaining was compulsory, the regulatory scope of these agreements was fairly restricted. The terms and conditions of employment were set by legal regulation. Collective agreements were only complementary measures so as to accord with clauses of the Labor Code and various other laws and regulations.

C. The trade union section played a substantial role in the distribution of social and other welfare benefits, organizing cultural entertainments, commemorations and holiday activities.[42] There was a general opinion that the interest representing role of the trade union in the socialist regime was successful only in the field of social policy. In other areas, the company and plant level management represented their interests. The position taken by their immediate superior is decisive in terms of working conditions, wages, overtime, job security, the organization and rationalization of work and in the manpower transfer.

One more additional function of the trade union was its role in the operation of the social security system. The law transferred to the trade union organization certain functions traditionally discharged by the State in the field of social security, and occupational safety and health protection. In these two fields the trade union functioned in much the same way as a state organ: it might set up administrative bodies, issue guide-lines, or gave instructions to the competent state authorities or enterprises; it also determined the level of individual pension and enterprise contributions to social insurance fund. It was able to impose sanctions when labor protection standards were

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[41] The Young Communist League was the youth section of the Hungarian Socialist Workers' Party.
[42] András *Tóth*, pp. 93–94.

violated. The central trade union organization's activities in this area were subject to the same kind of supervision, judicial in particular, as those of state bodies.[43] The trade union's role in the social security administration was terminated in 1984.[44]

4.2. Initial development after 1988

With the end of the socialist regime in Hungary one could expect the collapse of official unions and the revitalization of the grassroots Hungarian trade union movement. That did not happen.

In the wake of the system-change there were substantial changes in the Hungarian trade union movement. First, a free „independent-of-the-past" grassroots trade union emerged at the beginning of 1988, and this was followed by the emergence of numerous other workplace level organizations. Two important new confederations were formed: the League of Independent Trade Unions in 1988, and the Workers' Council Movement in 1989. In 1990 the influence of these new organizations, and their number of member organizations rapidly increased.

Second, the former party-controlled monopolistic National Council of Trade Unions (SZOT) fragmented. Since the beginning of 1990 SZOT under the new title of National Association of Hungarian Trade Unions (MSZOSZ) has split into four confederations and their 19 industrial branch unions into several occupational unions. Numerous trade union sections withdrew from the SZOT and its branch unions and proclaimed themselves independent. The organizational transformation of the former union structure was accompanied by a substantial fall in membership.

This led to two types of pluralism emerging. First, a competitive pluralism came into being, both on national and workplace level, between the newly founded grassroots unions and old unions.

At the national level there was a clear distinction between the old and the new confederations regarding their connection to the socialist past, their attitudes towards the transition, and their relationships towards political parties and economic problems such as privatization. This rivalry was strengthened and envenomed from late 1990 by the growing debate over the SZOT's assets. Meanwhile, at the workplace level, almost all the new unions were established as counter-unions against the existing old ones; their aim was to pursue different policies and different forms and content of interest representation.

The competitive pluralism was accompanied, secondly, by a complementary pluralism between the four successor confederations of the SZOT. SZOT's former 19 branch unions grouped themselves into four confederations: one for public service employees, one for the civil service employees, one for manufacturing and transport employees and one for chemical employees. The four confederations have distinct spheres of activity. In addition they have preserved their monopolistic industrial structure in their respective organizational areas.

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[43] The trade union situation and industrial relations in Hungary, ILO, 1984 p. 26.
[44] Presidential Council Regulation No. 5 of 1984.

In 1989–90 the new confederations played an active political role and enjoyed a substantial political influence. The old unions were thrust into the background and were afflicted by a severe crisis of legitimacy owing to the burden of their past.

From the beginning of 1991, it became clear that the new grassroots movements would be unable to achieve a breakthrough in their organizational drive. In most workplaces the workers, even though they withdrew from the old union, did not necessarily form a new one. The membership of the new confederations remained low, and their member organizations remained scattered, weakening the overall structure. The organizational drive that they mounted around 1991 began to slow down. The legal regulation of the new Labor Code (1992) concerning trade union rights had the effect of preventing several existing new unions from exercising their rights and of hindering the future growth of the new confederations. At the same time the new confederations were sliding towards the political margin. The old unions' presence in the workplace has largely persisted and stabilized. The legal regulation concerning trade union rights was to secure the old unions' monopoly in the workplace. The fragmentation of their structure stopped. On the political level, as the economic crisis deepened, it could be seen that a political revival of the old unions was taking place.

Trade unions are currently perceived as weak and divided, and their credibility has also been impaired by the socialist legacy.

As the shape of post-communist industrial relations unfolds, it becomes more and more obvious that a grassroots revitalization of the trade union movement has been removed from the social agenda and that the trade unions of the past have successfully survived the system change and retained their organizational dominance.[45]

4.3. The Japanese enterprise-based labor unions

The next basic content of the Japanese industrial relations system is the enterprise union system. Some basic information about the Japanese trade unions see *Table 14, 15.*

The social foundation of enterprise unions is the lifetime employment. Even before World War II the years a worker served in the same company had generally tended to increase and lifetime employment had become a current practice especially in large enterprises and this phenomenon resulted that there hardly existed an active labor market covering individual crafts and trades, hence, the working conditions were determined separately in each company. Furthermore, another influencing factor was the existence of Sangyo-hokokukai (Patriotic Industrial Association for Service to the State) which had been established in each enterprise during the war. Another stimulation was the lack of any other kind of organization able to cope effectively with the difficult problems of confronting workers after the war. In these circumstances workers quite naturally opted for the idea of enterprise union.[46]

After World War II, in response to the demand for a more democratic and non-discriminatory approach to personnel management, differences in the respective status of white-collar and blue-collar workers were eliminated. Thus enterprise unions were organized as unions covering all employees, including white-collars. They emphasized

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[45] András *Tóth*, pp. 85–86.
[46] Mikio *Sumiya*, pp. 55–56.

distributive democracy, and consequently wage differentials between blue-collar and white-collar workers were considerably narrowed.

The majority of Japanese labor unions are organized by enterprise (so called enterprise unions). In accordance with the Japanese concept of fellowship among all workers belonging to an enterprise, unions were created on an enterprise basis. These enterprise unions are, nevertheless, affiliate to industrial federations, and many of them belong in turn to one or another trade union national center.

More than 90 % of all labor unions are enterprise-wide unions. There is only one industrial union, called Kaiinkumiai (All Japan Seamen's Union). Some general unions are also organized, called „Godorso" (Unified union). The Godorso organizes workers in a certain district irrespective of job and working place.

The features of enterprise unions: a) the leaders of the union are employees of the enterprise and b) it is they who bargain with their management, c) while the parent company's union may have some say in determining working conditions, the right to make decisions ultimately rests with the local union, d) they collect their own dues, retain the greater part for their own use and pass on only a small percentage of them to the higher-echelon organization.[47]

In the Western countries most labor unions are craft unions, industrial unions or general unions, organized beyond the framework of the company, and covering the whole industry or occupational type. In these labor unions organized by members from different companies, labor vs. management opposition is strong. With trade unions, the ties between labor and management are intrinsically more distant than in enterprise unions where all members belong to the same firm.

Moreover, it can be true that the enterprise union cooperates happily and voluntarily with management. However, many of rational observers must realize that the unions have very limited influence. For example, an often quoted trend is that the role of collective bargaining will be replaced by the management-union joint consultation system. On the one hand this is a very remarkable quiet solution. Because of the joint consultation voluntary institution it has not legal and binding effect. In that sense it is weakening the trade union rights. On the other hand, if this consultation is successful, it can avoid many unnecessary collective actions taken by both parties.

However, Hirosuke Kawanishi sais: The enterprise unions in key industries do not play an effective role in tackling members' problems such as wages, working conditions, and shortening of working hours. Nor do they implement internal democracy. Rather they function as an auxiliary to management in the personnel sector.

4.3.1. Multiple Labor Unions in Establishment

Although in Japan there are exception, from enterprise unionism, (i.e. Japan Airlines, Japan Railways etc.) in which companies have several rival unions (union pluralism), in most cases at large enterprises there is only one union per enterprise. The union pluralism is allowed by the Constitution, as a basic right to organize. A clear distinction has to be made between plural union system and the enterprise inside union structure. The latter one is, when there is more than one union establishment in an

[47] Mikio *Sumiya*, p. 54.

enterprise, usually a unit (plant) union at each establishment, but even in these cases there is a central federal body, at the head enterprise, which has considerable integrating power. Collective bargaining and strike rights are concentrated at the central level, and wages, working hours and other basic working conditions are the same throughout the company. This structure can't be regarded as a plural union.[48]

There are multiple unions in about 10 % of all unionized enterprises. The existence of multiple unions is due to the difference of ideological or political opinions. The Labor Unions Act does not make provisions for multiple labor unions (trade union plurality). Therefore, there are some difficult problems to be addressed with multiple labor unions.

For example, there is no representative system for collective bargaining. Consequently, every labor union has the right to bargain, since the Labor Unions Act does not provide an exclusive bargaining representative system. Therefore, each labor union can engage in collective bargaining for their members, in spite of the number of members. The employer can't refuse to bargain with a minority union because it is minority union. The Labor Unions Act requires the employer to treat all labor unions equally. This obligation is called the „neutral obligation of the employer in the rival union situation".

4.3.2. Legal framework

In Japan, there is no registration system for labor unions. Under the Labor Unions Act, there are two types of labor unions. One is a labor union without independence from the employer. The other is a qualified labor union. The following conditions characterize every labor union:

a) workers at the supervisory post must be excluded from membership of the union;

b) financial support shall not be received from the employer in defraying operational expenditures of the union;

c) its objectives are not confined solely to mutual aid work or other welfare work;

d) its main aim does not include carrying on a political movement.

A labor union which satisfies the additional requirements outlined below is afforded further protection by the Labor Union Act and acquires the status of being a qualified union:

a) members of the union, unless it is a federated one, shall have the right to participate in all union affairs and the right to equal treatment;

b) no one shall be refused membership of the union because of race, religion, sex social status or family origin;

c) the officers of the union shall be elected by direct secret ballot of the members. The officers of federations or national unions shall be elected by direct secret ballot of the delegates elected by secret ballot of the members;

d) a general meetings shall be held at last once a year;

e) the union's audited financial report is to be made public to the members at least once a year;

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[48] Takeshi *Inigami*: Japanese Workplace Industrial Relations, Japan Institute of Labour, 1988 p. 23.

f) no strike action may be started without the agreement of the majority of the members in a direct secret ballot, in the case of a federation or national union, of the delegates elected by a direct secret ballot of all the members;

g) no constitution shall be revised without the agreement of the majority of the members in a direct secret ballot or, in the case of a federation or national union, of the delegates elected by a direct secret ballot of all the members.

These requirements demand that the labor union treats all of its members equally and that they shall be administered in a democratic fashion.

4.3.3. Unionization practice and union shop agreement

The issue of who may be a union member or not is set out in individual company labor agreements. Most agreements stipulate that unlike regular employees, those the position of section manager (kacho) or above are excluded from union membership. Of non-managerial employees, those in a probationary period, and those in personnel and secretarial departments or sections are also often excluded. However, very few non-regular employees are organized as yet.[49]

70.7 % of all labor agreements included a union shop clause stipulating that an eligible employee who did not join a union would be dismissed either in practice or in principle, in 1986.[50] According to the principle of union pluralism, the union shop clause does not mean that every employee have to join the same unions. However, in the certain company only one union exists (and this is the majority), they have no other chance than enter into the union or loose his/her job, which is a very big disadvantage in the Japanese life-time and seniority based system.

The union shop agreement is against the Hungarian Labor Code. The Article 15, based on the ILO Convention 87 on Coalition freedom, says: „It is the right of employees and employers to form (positive freedom of coalition), in accordance with conditions specified by a separate law, together with others, without any form of discrimination whatsoever, an organization that represents their interests and is directed towards the promotion of their economic and social interests; to join an organization of their choice, depending exclusively on the regulations of the given organization or to avoid (negative freedom of coalition) such organizations. Therefore, the union shop clause violates the law.

4.3.4. Collective bargaining

Collective bargaining committees in Japan are set up at the company level or establishment level. Collective bargaining is not carried out at the industrial level, although joint consultation may be. Moreover, bargaining participants are restricted to those within the company, without outside officials from either employees associations or unions.[51]

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[49] Takeshi *Inigami*, p. 23.
[50] Takeshi *Inigami*, p. 23.
[51] Takeshi *Inigami*, p. 23.

4.3.5. Unfair labor practice

The Japanese unfair labor practice has two specialty: one is that it has legal foundations in the Constitution. Another is that it prohibits employers' practices from infringing employees' rights. There is no unfair labor practice on the part of workers or employees. Another difference is that the Labor Relations Commissions are composed of laborers, employers and public interest, which generally means scholars and academics. Another is that judiciary relief by the courts is available to protect union activities from employers. As a result, the Commission's procedures become closer to court procedure. Therefore, it can't provide quick relief to labor unions and their members.

The Labor Unions Act prohibits four types of unfair labor practices:

a) discriminatory treatment of employees due to their participation in legal union activities;

b) yellow dog contract;

c) refusal to bargain collectively without good reason;

d) control over or interference in the organization or management of labor unions.

5. The basic features of wages and the wage negotiations system

5.1. Wages and salaries

One of the striking characteristics of Japan's wage system is the lack of sharp distinction between white-collar and blue-collar workers' salary. Both are paid in the form of a monthly salary. (see *Table 16*) Another speciality is that Japanese wages are composed of a basic wage and various kinds of allowances, including housing allowances, family allowances, commuting allowances, overtime allowances and retirement allowances. Bonuses are also part of a typical remuneration package.

Contrary to this, in Hungary there are usually, significant differences between the wages and salaries of blue- and white collar workers, even if they belong to the same age bracket. In most cases the wage depends on the individual performance and the educational background.

Another difference is that the wage-bonus-allowance system does not exist systematically together. The wage is the employers' responsibility. The bonus system is usually unknown in Hungary, and recently the allowance system almost entirely belongs to the local or central government.

The basic wage is determined in consideration of the workers' age, length of service, education background and job-performing abilities. In this system, wages automatically increase every year.

In Hungary there is no wage increase automatism in the private sector either. However, it existed during the socialist period.

However, in Japan the amount of increase is different for each worker, owing to his performance evaluation. When the evaluation is better, wages are increased higher. Bonuses are usually paid twice each year, in addition to the monthly salary. The bonus amount is typically equivalent to one-third or one-quarter of the annual salary. The

amount of bonus is also decided according to the employee's personnel evaluation. This system introduces an element of competition amongst workers and is an important factor contributing to the relatively high productivity in Japanese industry.

Enterprises in Japan do not purchase only manpower from workers, but employ workers as person. In that sense, in the so called job-oriented wage (Western model), the wage rate is an important issue for the enterprise as well as for workers, while in the case of the personalistic (Japanese model) wage, the issue is the life of workers, to which the enterprise can't be indifferent. Lengths of experience and service regulate the wage, and the age of workers has been another important factor in wage decisions.(see *Table 17*) This consideration is closely related to the idea of the living wage. According to this wage system, if a worker marries, has a child or more, and becomes older, living costs increase. The personalistic wage, in particular, the Japanese seniority-based wage, just fits these events in the life of the worker.[52]

The widespread existence of employment related allowances is a specific feature of Japanese industrial relations but not customary in Europe and the US. These allocations are mostly the commutation allowance and the family allowance. The commutation allowance is rather personalistic, since its amount depends on the location of the worker's residence. Personalism is more pronounced in the case of family allowance, since it has nothing to do with the amount and quality of work offered to the employer. The family allowance is therefore incorporated in the social security system but not in the employment relations in Westerns countries.[53] The exception in the case of Japan stems from the fact that enterprises do not contract for the manpower of workers, but employ workers considering their whole life situations, and pay family allowance as a measure of this consideration. In this sense, the family allowance is a typical characteristic of the personalism employment system in Japan.[54] We remark that during socialism the family allowance was an employment-related benefit. For long period only those workers were eligible for family allowance who had employment relations for a certain period.

5.2. Minimum wage (regional minimum wage)

In Japan there are two ways to determine the minimum wage under the Minimum Wages Act of 1959. One is the determination by the Labor Minister or the Chief of the Prefectural Labor Standards Bureau at the request of all employers and labor unions covered by a collective agreement which applies to the majority of workers of the same kind and their employers in a certain district.

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[52] Mikio *Sumiya*, pp. 134–135.

[53] In Hungary during the socialist period the family allowance was an employment related benefit. The answer why it was employment related lies in the socialist principle of full employment. According to this thought, if everybody works in state-owned companies and the family allowance based on employment relations means that almost the entire family could get family allowance. However, the scope of employment relations widened continuously, for example several types of private corporations and enterprises emerged, the number of part time and irregular workers has increased and so on, and therefore the employment-related family allowance system has been replaced by the universal system. Consequently, every family with a certain number of kids was eligible for family allowance.

[54] Mikio *Sumiya*, p. 134–135.

Another is the decision set up by the Labor Minister or the Chief of the Prefectural Labor Standards Bureau, based on a preliminary research and study of the Minimum Wages Council, which is a tripartite body composed of representatives of public, labor and management interests. Almost all minimum wages are determined by this latter method. The meeting of the Prefectural Minimum Wages Council is opened upon the proposal of labor or management to amend minimum wages (see *Table 18*).

Minimum wages are set by each Chief of Prefectural Labor Standards Bureau in the form of regional minimum wages. The minimum wages may be comprehensively applicable to all workers in the prefecture regardless of industry or occupation. Industry-wide minimum wages applicable to workers in a specified industry may also be established. In other words, there is no minimum wage applicable uniformly to all workers in Japan. Minimum wages are not applied to the following employees under the permission of the Chief of the Prefectural Labor Standards Bureau:

a) those who have a very low ability to work, due to psychical or mental handicap;

b) employees during their probationary period;

c) employees on certified vocational training;

d) employees whose working hours are very short;

e) employees engaged in light work

f) employees engaged in intermittent labor.

Since 1978, the Central Minimum Wages Council has classified all 47 prefectures into four ranks and proposed a guideline for the regional minimum wages to the Prefectural Minimum Wages Council in order to ensure the consistency of regional minimum wages on a nationwide basis. The Prefectural Minimum Wages Council usually determines the regional minimum wages based on the guideline. Employers failing to comply can be fined up to a total of 10.000 yen.

In Hungary there is also some kind of pluralism within setting up the calculation of minimum wage. It means that there is an official minimum wage decided by tripartite NCRI (see later), which is regulated in every year by the Government. Beside this official minimum wage figures there are several so called unofficial minimum wage calculations and requirements elaborated by various social groups and organizations, such as the Újpesti Family Help Center, and so on.

5.3. Yearly wage negotiation or Shunto

The method of wage negotiations at industry level (shunto) was introduced by the unions as tactics designed to overcome the difficulties of enterprise-level bargaining. (see *Table 19*) Under this method, the parent industrial union analyzes the overall situation of the industry and unifies the wage demands of its affiliated unions. However, the enterprise unions will bargain separately within each enterprise. If they fail to reach their demands they can jointly and simultaneously go on strike. It means, they can thus equalize the impact of the strike on competing enterprises and also obtain similar rates of wage increase, with the resulting labor costs to each enterprise also being equalized.[55]

[55] Mikio *Sumiya*, pp. 59–61.

5.4. Some words about the changed wage system in Hungary

The former strict wage tariffs were diluted. Central control was made to operate on the total wage outflow of each company and not on the wage of an individual worker. This company-related average wage system gave each company the possibility of building up its own internal labor market and paying workers on the basis of their value to the company's interest.[56] Therefore, the Shunto-type centralized wage negotiation system does not exist recently. However, in the socialist regime the wage system controlled and decided by the state. (see *Table 20*)

6. Total quality management

6.1. The main characteristics of Japanese Total Quality Control (TQM) system

The total quality control (TQM) or „kaizen" is a continuous improvement in the company, based on the re-organization of the social component of the factories.

The key element of TQM is to increase the social and work responsibility for the operators and every employees the company. One effect of this system is that inspectors and machine repairers are now virtually non-existent, only the employees in charge control the given work done by them. Consequently, the workers in this system are more content, enjoy job satisfaction and allegiance to the company. This method has produced an equalizing process in the workplace as well.

With the operator's increased power and control over their work, eliminating the need for supervisors, this kind of antagonism and potential for conflict was removed, thus creating a far more harmonious working environment.

The actual operators gained a store of first-hand knowledge of common problems, and also how to solve them. There is no total quality department, nor a group of managers who are given the task of creating or implementing total quality control. Rather, total quality control is built into the system.[57]

The total quality management system includes: a) the suggestion system; b) holding quality circles; c) emphasizing customers satisfaction; d) consulting in a determined manner those who operated the machines; e) obtaining feedback and f) working on eliminating the problem rather than solving them after they occur. All these features are an integral part of the Japanese big firms.[58] We have already dealt with some of the above mentioned main characteristics, therefore here we are concentrating only on the remaining ones.

6.1.1. Customer satisfaction

Another area in which the Japanese attempt to implement the total quality approach concerns customer satisfaction. Almost all the innovations and discussion

[56] András *Tóth*, p. 95.
[57] Ruth *Taplin*, pp. 66–67.
[58] Ruth *Taplin*, p. 64.

among employees in Japanese companies in terms of continuous improvement, service and planning are oriented towards customer satisfaction, as well as creating an overall framework for the improvement of both product and service. This emphasis on customer satisfaction is linked to the idea of gaining market share rather than immediate short-term profit, and goes back to the basic assumption that the long term is more important than the short term. However, a satisfied customer will buy more of the products, which naturally strengthens the company in the long term.

The ideas often practiced by Japanese companies in relation to Total Quality Management centered on customer satisfaction. They included training on the job, ideas of continuous improvement, ceasing dependence on supervisor and inspectors to achieve quality products and using many suppliers rather than a single one. The latter practice avoids awarding work to suppliers who only offer the cheapest price rather than a good quality product or service.

The systematic approach to total quality control adopted by the Japanese also avoided the Western tendency to compartmentalize every aspect of the company and there were certainly no quality-control departments or quality-control people who were only in charge of trying to institute quality. Everyone as part of the total quality drives to improve production, services and customer satisfaction to the highest standards possible.[59]

6.2. Job rotation system

Another important feature is the job rotation system. Almost everyone has worked at some point in other people's jobs which aids the decision-making process, „uchiawase". The job rotation is an immanent precondition of the horizontal-based decision-making process which allows everyone to discuss across and through different departments how they think a decision should be implemented. This can only be accomplished because people have had both intra- and extra-departmental experience of each other's jobs. No manager in the Japanese context does simply graduate and is placed in a top managerial position a couple of years later. Managers are required to start at the bottom, working their way through obedience to company rules and the aging process up the promotional ladder.[60]

6.3. Just in time system

This process takes a great deal of logistical understanding between suppliers and the plant. The main advantages of the "just in time" system are: a) increases the productivity and the quality; b) saves processing time; c) saves space (limited warehouse needed).

This can only be done if there is some kind of systematic approach that links all the different facets of the production process together to make a steady flow analysis rather than an unrelated productive part analysis.

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[59] Ruth *Taplin*, pp. 91–92.
[60] Ruth *Taplin*, pp. 67–68.

If no systematic approach was followed, a lapse in communication would occur between the ending part of the process and the beginning part of it, making it unsuccessful. In other words, if there is no systematic flow analysis and no proper assessment of the logistics needed to understand how this flow would work throughout the system, it can't work. Without this prerequisition the just in time system can not work, only create disruption in the company.

Many times, numerous Western companies simply do not have enough knowledge on a holistic basis of what actually happens in their companies. In addition, the systematic approach is difficult to implement in Western countries, because the tradition of the Western companies does not create a completely self-sufficient structure that includes banks, administration, manufacturers, suppliers and trading companies under one company complex, like „Zaibatsu" and the new „Sogo Shosha/Keiretsu".[61]

7. Dual labor market practice

The dual labor market is a Japanese phenomenon. It means that simultaneously two labor market, an internal and an external, exist. The internal labor market strongly connotes to the life-employment practice and to the employment security policy. Internal labor markets are developed at the highly industrialized stage where specific jobs are specialized at large industrial plants. The external labor market has emerged with the enhancement of irregular works, like part-time work, dispatched work and so on. And it is also immanently connected to some special groups of labor market members, like female employees, students etc (see Table *21,22*).

In the internal labor market the job-and-wage rate is not directly subject to demand and supply on the labor market but is directly conditioned by determinants within a firm such as the employer's administrative policy, union activities and the custom of the enterprise community. In this system the firms recruit directly from the labor market only once a year, which in general means high school or university graduates, to fill their vacant jobs. In many other cases the firm replaces the worker from within into the required work. The new employment occurs only to fill the bottom of the ladder of promotion in the internal labor market. With such a market relationship established, seniority is given a great significance. The more consideration workers pay to their future promotion and security in employment, the less their turn-over will be, and the longer duration of their continued service will be.[62]

The Europeans are not interested in the internal labor markets or seniority system. Because the rights of workers secured at workplaces under the craft union system have remained with no substantial change in Great Britain and as well as in Hungary, the neoclassical model of labor markets is as yet adequate to a considerable extent, thus forestalling the possibility of developing seniority-based relations at enterprise labor markets.[63]

Furthermore, in the United States the same point, in connection with the lengthening of continued service at a single firm, has been discussed as new feudalism in industrial relations.

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[61] Ruth *Taplin*, pp. 68–69.
[62] Mikio *Sumiya*, p. 91.
[63] Mikio *Sumiya*, pp. 101–102.

8. Unemployment

In Hungary a serious factor has been the rapid growth of unemployment, and the need to establish an appropriate safety net including unemployment benefit (see *Table 23*).

8.1. Employment and unemployment trends

The sharp rise in open unemployment was a predictable result of the transition to a market economy. Under the centrally planned economy, there had been significant labor hoarding in the large state enterprises to address the recurrent problems of labor shortage. It was widely accepted that significant lay-offs would now have to occur in order to increase productivity levels and make Hungarian private industry reasonably competitive in an open market economy.

Under the World Bank's assessment, significant unemployment from releasing redundant labor and/or downward wage flexibility will be necessary to improve labor productivity in the state sector; and stabilization and structural adjustment are likely to lead to high short-term unemployment rates. Surplus labor can be released with minimum hardship only if the Government pursues an active employment policy within a market framework. This is seen to involve a) improving the institutional infrastructure and functioning of the labor market (wage determination, employment and training services, labor market information etc.); and b) improving the labor supply side, by restructuring vocational training for youth and adults, and reforming higher education. Rigidities in the supply and demand of labor are seen equally serious. Unless rapidly addressed, rigid labor markets together with an unresponsive training system will severely constrain the economic reforms and the move to a market economy (see *Table 24; 25*).

The logic and the relationship of the employment market and the unemployment situation in Japan and in Europe and in USA is significantly different. In Japan, the implementation of employment security itself, within the internal labor market, is a guarantee to avoid bulk unemployment. This employment policy itself is a preventive method in order to lighten the burden of unemployment or in some sectors to avoid it. Contrary, the Hungarian Employment Law, Act IV of 1991 on Employment Promotion and Provisions for the Unemployed enacted some significant endeavor in order to establish the so called active employment policy, which contains some institutions assisting potential or effective unemployed persons to stay or get back into the labor market. Unfortunately, these kind of active measures are not yet an immanent part of the Hungarian employment practice. We would say that the Japanese is a preventive and the Hungarian is an "extinguisher" type system.

An ILO report found, for example that there has clearly been labor decreasing and a decline in total employment since 1989. Private sector employment doubled between 1989 and 1991 with the addition of some 350.000 new jobs during this two-year period, but over this same period employment in the state sector fell by 519.000. Overall employment fell by 15 per cent in the first nine months of 1991 compared with the same period in 1990. Moreover registered unemployment grew fast in 1991, from around 100.000 at the beginning of the year to 406.000 in December, representing a rise

in the unemployment rate from 2.1 per cent to over 7.3 per cent. At the same time the average length of unemployment had been increasing, and the rate of unemployment was expected to continue to rise. It was found that the skill composition of the unemployed had been changing, with unskilled and semi-skilled workers now comprising over half of all job-seekers.[64]

8.2. Employment policies and legislation

The Employment Law, Act IV of 1991 on Employment Promotion and Provision for the Unemployed, was enacted in early 1991 and amended in 1992. It outline both broad principles of employment and training policies and the procedural aspects of their implementation.

The law establishes rules on lay-offs, placing certain restrictions on employers' rights to terminate employment. For example, if an employer wants to reduce the number of employees by at least 25 per cent within a month it shall announce the decision with the statement of the reasons three months prior to ordinary notice. Workplace committees including workers' representatives are to determine the principles and phasing of lay-offs, and to determine workers' benefits in addition to those required by law.[65]

8.3. Issues in employment policy

As unemployment rises, the main issues of debate have been the relative priority given to active and passive employment policies, and the means by which employment measures can or should be financed. The actual extent of the measures provided by the Employment Law depends very much on the state budgetary allocations.

The recent employment policy responses have been reviewed by the ILO. An ILO mission observed generally that very little appeared to have been done by way of policies to influence the level of employment creation in the design of overall transition policies. Also very little appeared to have been done to analyze the effects of changes in taxation, methods of funding social benefits, and various aspects of labor market regulation on the creation of employment.

Concerns have been widely expressed that passive measures are absorbing too much money, leading to severe budgetary pressures. Labor Ministry officials have stressed that the main emphasis at the present time must be on passive measures, because only one quarter of the unemployed can be reached through an active labor policy. But in 1992 the Ministry's requests for a substantial increase in the budget for passive measures were rejected both by the Ministry of Finance and the social partners themselves during tripartite negotiations.[66]

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[64] Roger *Plant*, pp. 143–144.
[65] Roger *Plant*, pp. 145–146.
[66] Roger *Plant*, p. 146.

8.4. Unemployment

The traditional Japanese solution to deal with redundant employees, within the internal labor market, is shifting them to subsidiaries or smaller client companies, that is why unemployment rate is very low in Japan (see *Table 26*). However, this solution, because of the recessions and keener competition in the international market, will not be sufficient or is getting more difficult.[67] It appears that while there have been massive redundancies over the last couple of years, and more are projected, some firms have come up with interesting ways to avoid enforced „early retirement". This includes, providing workers with two days off per month and extending the Golden week holidays – all in the name of cutting costs.

No doubt there is also a strong correlation between the maintenance of the existing workforce and the government incentives to do so. For example, the employment support subsidies by the Ministry of Labor alone was 38.4 billion Yen in 1994.

Consequently, downsizing in Japan is different from the US for it usually does not affect the „core group of employees". Part-time employees and subcontractors are hit the hardest when Japanese companies downsize. Because these employees are considered as being „outside" of the core group they are expendable.

8.5. Some criticism of the Japanese way of unemployment rate calculation

To recalculate the Japanese unemployment rate the following calculation was made by Japan's Management and Coordination Agency (see details in Kishi Nobuhito's article in Japan Echo, Autumn 1995, p. 38) it adds to the conventional unemployment rate an estimate of part time workers who would prefer to work full time, and an allowance for „discouraged" workers who have given up actively seeking a job but who would willingly work if employment was available, and who are excluded from the Japanese employment figures, for example housewives, etc. On this basis the unemployment rate for Japan in 1994 was 8.9 %, compared with 8.8 % for the US. Moreover, this calculation does not pay attention to numerous under-employed workers who are still retained by companies under the Life-Time Employment System.

9. An emerging new phenomenon: female employment and irregular work

9.1. Increasing Female participation in the labor market

Another major problem in Japanese labor relations is female employment (see *Table 27,28*). The most heated issue is the equality of working conditions between male and female. Recently the Equal Employment Opportunity Act has regulated this problem.

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[67] Ruth *Taplin*, pp. 22–23.

The labor force participation rate of female workers in Japan is high from the age of 18, when they normally graduate from school, to the age of 25 when they usually get married. Then, it decreases between the ages of 26 and 35, when women usually bear and raise children. It goes up again after age 35, when they can spare the time they had devoted to rearing their children again.

Nonetheless, in Japan where lifetime employment is prevalent, the middle-aged female workers can find employment as parttimer. The majority welcome part-time jobs where working hours are fairly loosely set, which helps them make holding a job compatible with their household and family responsibilities. This is also the area, however, where poor working conditions prevail and adversely affect the entire female labor. Of course, this kind of employment falls outside the control, of not only of labor unions but also of statutes governing equal employment of man and woman.[68]

9.2. The role of part-time work in the Japanese labor practice

Being a part-time employee in Japan (see *Table 29*) is different from being part-timers in the US If you are a part-time employee in Japan you work full-time but do not get the same rights and/or benefits as those who are hired as full-time employees. Women are more likely to be hired on a part-time basis than they are to be hired on a full-time basis. Also it is relatively easy to fire a part-time employee if business is bad. Japanese companies generally make much more use of sub-contractors than American companies. For companies which use „on demand" or „just in time" production systems – it is relatively easy to cut back on production when demand is weak. The use of sub-contractors is a way for corporations to keep the number of „core" employees small. Thus when times are bad the sub-contractors bear the losses not the large corporations.

In addition to the in/out group system there is also a social class element in that the members of the out (expendable) group are usually from a lower social class than are the members of the in „core" group.

9.3. Some features of part-time employment in the socialist area

In Hungary, workers and employees generally worked full time. The number and proportion of employees in part-time jobs were very small; it was only 52.000 in 1985. However, the 320.000 pensioners who work part-time must also be added that.

The composition of registered part-timers was similar to that in other countries. Four-fifths of them are women and three-fourths work in the tertiary sector.

The quantitative and qualitative features of part-time employment were explained primarily by the specific socio-political and politico-economic objectives engendered by the „socialist" model of socio-economic development. From the outset, a prominent aim of our social and employment policy has been to strengthen the social equality of women with the basic precondition that they are involved in income-generating activities. This socio-political objective coincided with an economic policy oriented towards the acceleration of economic growth through the „full" employment of available labor

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[68] Mikio *Sumiya*, pp. 66–67.

resources. The demand for part-time employment emerged only to a limited extent, with a few exceptions, and young female job-seekers wanted full-time employment. This policy orientation was strengthened by the fact that, owing to the very low level of real earnings in the 50s, families sought to achieve the highest possible incomes. The economic activity of women increased rapidly from the 50s onwards, and by the end of 60s it had almost reached the activity rate for men. Social policy assumed that the social institutions for educating children, state and company nurseries, kindergartens and organized day-time occupation at schools would be able to relieve women of a great part of the work related to child rearing.

In fact, the mechanization of households and the development of child care and support services could provide only partial assistance with regard to the raising of children. Hence, it was primarily for reasons of family support and demographic policy that the expansion of part-time employment grew in Hungary in the 70s, in the hope that it would ease the tension between full-employment and household duties.

The established circumstances greatly aggravate diffusion of part-time employment, given the scarcity of labor, enterprises provided part-time employment only exceptionally. In addition, the cost-sensitivity of enterprises was not strong enough to enable them to expand employment forms in response to the cyclical fluctuations of labor demand and diminish wage cost. Employees experienced even greater difficulties.

9.4. The recent problem of flexible working hours

As already mentioned earlier, the working time of full-time employees in the various sectors of economic activity has been laid down in the Labor Code. However, the evolution of working-time patterns which governs the framework of the utilization of working-time came under the authority of the enterprises in 1968. But the employers' independence in that area did not extend to the application of flexible working time until 1980. The permission of the employer's supervisory organ was needed for its introduction between 1966 and 1980.

The first experiments with new flexible working-time systems began in Hungary in 1972. Since then, such systems have been chosen by the enterprises and institutions in which the daily starting and finishing times and the length of the working day can be chosen by employees themselves, with greater or lesser freedom.

The problem of the „trade-off" between the reduction and flexibilisation of the working time has emerged in Hungary only in one respect: namely in such a way that labor administration regarded flexible working time as a means of implementing the working-time reductions of the early 80s, which would prevent a situation in which the reduction of working time would result in a reduction of the opening hours of enterprises, business establishment and services.

The labor administration makes every effort to propagate flexible working time for demographic policy considerations, in the interest of a more harmonious relationship between employees, and their family obligations, to improve the efficiency of employment and to make the adjustment to a production system without a fixed-time pattern easier as well as to reduce working-time losses such as absenteeism.

So far, the trade unions have not taken a stand for or against the practical application of flexible working-time measures at the enterprise level. But the public

pronouncements of union leaders favor its large-scale application on the basis of arguments similar to those used by the labor administration.

While no data is available on the types of employees affected by flexible working time in enterprises of different sizes, it is known that, in 1985, six per cent of all full-time manpower of the „socialist" sector worked flexible hours, nine-tenths of these were white-collar workers.

Consequently, the percentage of blue-collar workers working flexible hours was only 2.1 per cent, while 14.1 per cent of white-collar workers did so. The latter are far more frequently found in the capital than in provincial towns, not to speak of rural areas.

Employers use flexible working time to improve the management of working-time and to stabilize their stock of employees.

Employees see the advantages of flexible working time as being, firstly, the harmonization of family life and working life; the easier reconciliation of family-related chores, taking young children to kindergarten and day-time occupations and of coming to work on time; the avoidance of the rush hours and of being late for work; and the possibility of an easier co-ordination of private affairs and work.

The wider application of flexible working-time patterns is impeded by the fact that under the prevailing labor market relations a significant proportion of employees have found it possible to individualize the formerly rigid rules. The general looseness of the labor discipline gives ample opportunity for an arbitrary shortening of working time and for its adaptation to individual demands, thereby replacing the lack of a valid flexible working-time pattern.[69]

New types of working-time patterns which increase the free choice of the employees (primarily the introduction of the formalized system of flexi-time), began in Hungary in the first half of the 70s. But by the early 80s it was only applied by a few enterprises and institutions. Estimates indicate that only 1.5 per cent of all employees were engaged under flexible working time arrangements. Since that time, government agencies, the trade press and the mass media mounted an intensive campaign for the introduction of flexible working-time patterns. As a result, in 1985, six per cent of all employees were already working flexi-time.

The results of a survey revealed various types of working-time patterns in individual economic branches during the socialist period which are given in *Table 30.*

10. Labor-Management Communication

At the same time, there were important changes in the structure of worker representation at the enterprise level. As of the late 1970s, shop stewards began to assume a major role. As direct representatives of the trade union members, they had the right of joint decision on issues including collective agreements and enterprise wage policies, and were also consulted on matters related to production planning and organizational changes. A later innovation was the Enterprise Councils established in the state sector in the mid 1980s. Comprising of management and worker representatives in equal numbers, they had rights of decision over major economic issues related to

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[69] Times are changing, working time in 14 industrialized countries, ed. Gerhard Bosch, Peter Dawkins and Francois Michon, International Institute for Labor Studies, Geneva, 1993, pp. 188–190.

production and planning, and also over the election and dismissal of the director of the enterprise. However, the Enterprise Council arrangement has often been depicted as an instrument of managerial control, which served to accelerate the demise of the trade union role in management decisions.[70]

10.1. Labor-management communication in Hungary

10.1.1. Joint consultation in Japan

Generally, joint consultation has supplanted collective bargaining as the most fundamental communication channel between management and labor. Almost everything related to the company is taken up and discussed there (see detailes *Table 31*). Companies hold the system in high regard, and both labor and management have channels to communicate the results to the employees (union members). In this sense, not only has joint consultation become the most fundamental institution of labor participation in Japan, but from the point of view of information sharing among group members, it has an extremely important function.[71]

The core medium for industrial relations within the Japanese company is often said to be joint consultation. A wide range of issues including management, production, working conditions, welfare and so on are discussed at regulate bodies, not just at the company level, but at the establishment level as well. Joint consultation bodies are not restricted to companies with unions, although at the no-union employers the proportion is lower.

Unlike collective bargaining, the establishment of joint consultation bodies is not obligatory under the Trade Union Law. All have been established voluntarily.

The basic subject-matters of joint consultation include basic management policy, plans for production and sales, company organization, the introduction of new machinery or equipment based on new technology, rationalization of production administration, etc. (management issues) as well as wages, bonuses, working hours, leave and absences, layoffs and dismissals, health and safety, etc. (basic working conditions), and training programs, welfare etc.

It is notable that issues such as wages, bonuses, working hours, which have traditionally been dealt with through collective bargaining, are discussed, to a considerable extent.

10.1.2. Production Councils

Apart from joint consultation, there are company/establishment/workshop production committees which discuss quarterly, monthly and weekly production plans, including workloads, delivery dates, work allocation and overtime.

Issues such as how many workers it will take to produce so much product within a certain time, how much overtime will be needed and whether this is within the

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[70] Roger *Plant*, pp. 153–154.
[71] Takeshi *Inigami*, pp. 24–26.

overtime agreement, whether the workers are available and the feasibility of the production schedule are discussed at council meetings. At the workshop level the discussions are very concrete, and the necessary revisions are made through the council.[72]

10.1.3. Workshop meetings

An even more immediate form of participation for individual `employees is workshop meetings at which employees and supervisors get together to discuss work at hand and workshop environment. This is more widespread than joint consultation bodies. Any matter relating to the workplace is discussed.

The meetings are led by workshop supervisors. Not only are company plans communicated to the employees in these meetings, but the views of the employees are expressed and conveyed upwards. Hence, from the employees' point of view, workshop meetings are a very important opportunity for worker participation.[73]

10.1.4. Small-group Activities and Suggestion Schemes

10.1.4.1. Small group activities or quality control circles

Small-group activities or quality control circles (hinshitsu kanri) were introduced into Japan during the Allied Occupation and have remained until nowadays.

The principles of statistical quality control are quite simple. They are based on the premise that inferior goods are produced because of variations in the production system. Quality control aims at eliminating the substandard products. To achieve this, it is necessary to understand the factors that produce variations and to stabilize them. This requires solving every problem in each stage of the designing, use of manufacturing equipment, materials, and work procedures.

Since the solution of quality problems involves every aspect of the production system, the task is best accomplished by involving all members of the enterprise. In Japan, quality-control circles, or small work groups at various levels of the enterprise, have been utilized for this function. They were first organized in 1962 and quickly spread throughout the country. Members of these quality-control circles are trained to use several types of techniques of statistical analysis, which were originally designed for quality-control specialist in the US.

Production level quality control must be backed up by the efforts of other departments, including market research, design, marketing, and after-sales service, in order to be effective.

This concept of involving all members of the enterprise is referred to in Japan as the total quality control system.

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[72] Takeshi *Inigami*, p. 26.
[73] Takeshi *Inigami*, p. 26.

10.1.4.2. Quality control-rationalization-automation

Introducing new automate production system, Japanese enterprises discovered that successful automatic operation depended on the drastic reduction of the rejection rate, or in other words, strict production rationalization. If production is automated without first reducing the rejection rate, the automated system will only result in producing a large number of inferior goods.

The effective combination of automation, quality control and production rationalization has played an important role in helping Japanese industry raise its productivity.

The topics of small-group activities are: quality improvements, rationalization of work procedures, safety and cost cutting, etc.[74]

10.1.4.3. Suggestion schemes

Suggestion are submitted by both individuals and groups. Items include: a) improving the efficiency of manufacturing techniques; b) health and safety; development and sales of new products; c) welfare and education and training. The suggestions are gathered by the secretariat and are judged by a committee.[75]

Company workers are given monetary rewards, holidays and bonuses if they made suggestions that helped to improve productivity, save time and create greater customer satisfaction, thus making more profit for the company.

Some of the companies, however, were so keen on suggestions that they even went as far as putting pressure on the workforce to make suggestions on a monumental scale, such as a thousand per worker per year. Such an approach invalidated the voluntary system, and superimposed instead an immense conformist pressure in order to improve productivity.

The suggestion system reflects the Japanese view of people as the company's most important resource. They were acknowledged as the people who would know best from their own first-hand experience how they could make their products to a higher standard and more cost-effective.[76]

10.1.5. Self-appraisal system

The self-appraisal system is one in which employees periodically write an evaluation of their abilities and performance, as well as what jobs they would like and where they would like to be doing them. The reported items were: desired site of work; desired job; self-ability regarding qualifications and skills etc. This system is widespread in larger firms.

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[74] Takeshi *Inigami*, p. 26.
[75] Takeshi *Inigami*, p. 26.
[76] Ruth *Taplin*, pp. 60–61.

10. Management strategies and behavior

10.1. Market share rather than or beside profit share

In a Japanese company it is perceived as a long-term goal, whereas for a Western company it is usually a short-term and in contemporary Hungary a very short-term goal. The Japanese tend to emphasize market share rather than profit per se. They see that building a market share will eventually lead to a stable secure market whereby they will have a secure long-term source of income.

The Japanese feel that in the long term the market share will ensure a stable source of profit and revenue for goods. From their point of view it is better to produce goods that will make their company name a household word and known for years to come. The market share will then provide the stable base from which revenue can be drawn, ensuring longevity.[77]

In a Western company, as well as in a Hungarian one, profit maximization tends to be very short-term, concentrating on what profits may be gained at the present time. And in the West and in Hungary as well, human resources are not considered to be of prime importance and they are therefore something to be manipulated or marketed. The most important factors in the West are the monetary aspects (profit) and the products.[78]

In the Japanese case, the results are the most important and that is what one will finally be judged by. In the Anglo-American world the most important criterion is how the game is played or how the results are achieved and although the results are of great importance, it is always the case that the end never really justifies the means.[79]

10.2. The employers' long-term human resource policy

From the Japanese perspective, people tend to be the most important resource. Human resources are indeed seen as the most important feature in the long-term success of the company. The large Sogo Shosha/Keiretsu attempt to be known for the quality of their products, their manufacturing expertise, or their market-share, or how efficient they are in satisfying customers, rather than as a brand name molded by public relations exercises.

In contrary, in Western companies people as a human resource and market-share are seen to be of less importance. The most essential selling feature is the actual product presentation, how well it sells and how much profit it can bring to shareholders in the shortest term possible.[80]

The Japanese employers also feel that because they have invested in these people by spending money on years of training, it is best to retain them. Then, when there is an upturn in the economy, it will be beneficial to have a prepared, willing, loyal, trained workforce who, with the minimum of extra training expenditure, are ready to put their utmost into their work and to make the most of the upturn. By the workforce means the

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[77] Ruth *Taplin*, p. 42.
[78] Ruth *Taplin*, p. 53.
[79] Ruth *Taplin*, pp. 7–8.
[80] Ruth *Taplin*, pp. 38–39.

core, full-time employees. However, nowadays the number of the so-called peripheral staff, who are hired according to the dictates of supply and demand is increasing.[81]

From the point of view of the employer life-time employment has a double-sided feature. On the one hand, if the hired employee works well, this is a successful relation. If not, this causes a huge burden on the company, because it is very difficult to fire a full-time employee. Of course, there are several technics how to deal with the underperforming employees, however, this is a big disadvantage of this system.

Underperformance does create a problem that is difficult for those practicing Total Quality Management to deal with. The Japanese approach to the problem is not to fire the person, but to warn him/her and then to try group pressure. The Japanese way is, not to fire people but to keep them on even if their performance is poor.

The Japanese feel that if they are going to put money and effort into training people and carry them along through the company for many years it is probably much better for everyone to have to take a reduction in salary in the short term rather than fire employees. Once economic recovery occurs, then all the company members share in the benefits. Japanese managers believe that they have a ready-made trained loyal workforce. To fire them and then hire new people during an upturn means that they can't be sure of the loyalty or quality of the new employees.[82]

10.3. Decision-making process

In Japan, with the process of "nemawashi" and "uchiawase" (see above), decisions tend to be made between employers and employees not just from the top down but also from the bottom up. Although top managers may sometimes float ideas, they are actually discussed and analyzed throughout company and then put forward for ratification at the top (the ringi system) once there has been a great deal of discussion at all company levels. The final formal approval is called „ringi' and occurs when the document decided upon is passed from office to office for responsible officials to stamp with their seals.

On the contrary, in Hungarian companies, strong leadership is expected from the top and this occurs despite the fact that there might not be agreement at the bottom. Leadership in the West may vary from an autocratic type of system where the company chairman alone makes a decision or it may include a group of managers, privy to certain information, who actually make the decisions informally. In most cases, decisions do not tend to float up and down throughout the company with managers making their decisions based on the feedback that they can gather from each sector in the company.[83]

The Japanese have a decision-making process in which problems are minimized through pre-impact extensive evaluation. Such an evaluation seeks feedback from up and down and cross the corporation and only when consensus is reached is action taken. In the Western decision-making process, it is still largely the case that action is taken and extensive evaluation is carried out after the decision has been implemented.

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[81] Ruth *Taplin*, pp. 21–22.
[82] Ruth *Taplin*, pp. 87–89.
[83] Ruth *Taplin*, p. 26.

This tendency towards solving problems after they have been created rather than eliminating them before they occur fits in with the whole Western perspective of scientific management and the assembly-line.

The Japanese style is the following: to evaluate first, making action as risk-free as possible to involve as many company members as possible in this process, and to empower actual operators in decision-making processes in their production sphere.[84]

In the Japanese company, control is delegated down throughout all levels of management, not just held by the most senior officials. Delegation operates through the entire ranking system from „shacho" (president), „juyaki" (director), „bucho" (department head), „kacho" (section head) and the many other titles of ranking. The „hira-shain" or ordinary worker, is mainly involved in decision-making through quality circles and the suggestion system or in other limited ways that have direct implications for their jobs.[85]

10.4. Group management

Job rotation ensures that the majority in the company have done the jobs of others and the ranking hierarchical order usually means that the managers at the top level have worked their way up through the company so they know how every facet of the company is organized.

Group management in the Japanese case, therefore, is genuine group management in that people can readily replace each other. The people that fill the positions at the present time are not the most important part of the company. They are valued, but in the sense that they, like a family, ensure the continuity of that particular lineage branch of the company but not that they in themselves are the most important parts that will make or break a company.

In the Western companies, because of the greater emphasis on leadership, when a good leader departs, the company may often go into crisis. A charismatic and individual leader is of the greatest importance and can make or break a particular company.[86]

10.5. Some professional characteristics of management in Japan and in Hungary

Currently in Hungary manufacturing businesses are not run by those expert in manufacturing but by lawyers, PR marketing people and financial executives who are usually unexperienced in manufacturing. As long as people who lack manufacturing experience are attempting to run manufacturing plants, they will not be as effective or as prolific as Japanese companies which are run by the very people who are hired to produce the goods.

In Hungarian companies, specialists predominate whether they are practitioners or not. By comparison, in Japan people are generalists through job rotation and on-the-job training rather than specialists. They then become actual practitioners in a particular company, dealing with day-to-day problems and integrally involved with that company.

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[84] Ruth *Taplin*, p. 57.
[85] Ruth *Taplin*, pp. 27–28.
[86] Ruth *Taplin*, pp. 40–41.

In addition, if people are not involved in the day-to-day workings of the company at different levels and do not learn of many different jobs from their own experience, they do not have the long-term commitment that is needed to allow a systems approach based on Total Quality Control and management to work. The workforce, including management level, needs to know the ins and outs of the jobs that they do before they can implement quality control.[87]

10.6. Performance assessment

The manner in which performance is assessed is another major difference between Japanese and Hungarian workplaces.

The Hungarian management decisions are motivated by goals that are related to objectives while in the Japanese case decisions made by management tend to be far more consensus based. The majority of Hungarian managers saw that the link between pay and performance was their main motivating force in obtaining the best from their workforce. The important point in the Hungarian management behavior is where one can achieve the highest rates of pay, in the most direct and shortest way possible.

On the contrary, in Japanese companies the main motivation for working hard is not pay as such. Managers are motivated by how quickly they and their peer group members are promoted. It is considered quite status enhancing to be promoted relatively quickly along with one's university peer group.

A conflict exists in that, although consensus is the norm and the goals of the group are the most important. There is fierce competition between individual group members that actually serves to increase motivation for promotion. Therefore, ideas of consensus and harmony do not exclude a very rigorous sense of competition. The difference between Japanese and Western competition is that the competition is contained within the group and there are certain accepted rules within the group that usually ameliorate the bad effects of this fierce competition.[88]

11. The personality of Japanese workers and basic conditions of Japanese labor relations

11.1. General remarks

The Japanese have the reputation of being hard workers. There are several ways the Japanese show themselves to be hard workers. The first is that they devote themselves to doing the jobs they are given. Second, the rate of employee absenteeism is extremely low. Third, the Japanese feel almost no resistance to doing overtime and working on holidays. Thus the total number of hours worked annually is comparatively long. However, there are some opinions saying, the Japanese take overtime voluntarily

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[87] Ruth *Taplin*, pp. 73–74.
[88] Ruth *Taplin*, pp. 82–83.

because they are interested in the overtime payment. Nowadays this is an immanent and important part of many households income.

The Japanese positive attitude toward work is based on centuries of custom. The major reasons can be found in the fact that the traditional Japanese life was based on rice paddy farming. Their customary rules regulated communal work and village life as whole. Consequently, the Japanese people – especially farmers – came to live according to an ethic of diligence and thrift rather similar to the so-called Protestant Ethic (see Max Weber) in the West, in the late Tokugawa period.

Still another form of the Japanese willingness to work hard is the tendency for the elderly to continue working after the compulsory retirement. Japan's life time employment system provides employment until retirement, recently age of 60. However, retirement has not ment the end of employment, but only a separation from the firm one has been working for. The retired Japanese have not left the labor market; instead, they have found new jobs and continued to work for an average of almost another full decade. Consequently, about sixty-five per cent of the Japanese aged sixty-five have been working. In many cases it means that they leave the so-called „internal labor market", but they don't quit from the external labor market. Nevertheless, these days the problem arising from the phenomenon of graying society makes it difficult to employ the already retired employees.[89]

11.2. The Japanese Workers' Personality

Japanese workers seem to posses a sort of dual personality in matters of industrial relations. On the one hand, as union members, they feel a spirit of loyalty to their labor union; on the other hand, as employees with a relationship of lifetime employment with their enterprise, they also feel a sense of loyalty towards the enterprise.[90]

As can be seen from practices such as the lifetime employment system and seniority system and communal consciousness where a company is one big family, Japanese firms contain within themselves a form of communal human relationship.[91] Consequently, Japanese workers regarded themselves as a member of their companies rather than as being employed by their employer. This is the state of mind of employees.

In contrary, the Hungarian employees tend to take benefits from companies and the relationships in the companies often do not concern emotional relationships. The employees are not required to have any close relationships with each other and certainly with the dependent ones. There is a distinction between the public and private sphere, the family and the company. The Japanese form of group spirit enormously tends to be lacking in Hungarian companies. Employees will work for the firm which will benefit them the most, and from which they can take the most. Employers will hire those from whom they believe that they can take the most as well.[92]

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[89] Mikio *Sumiya*, p. 149.
[90] Mikio *Sumiya*, pp. 69.
[91] Mikio *Sumiya*, p. 151.
[92] Ruth *Taplin*, p. 38.

11.3. Basic social background conditions of Japanese industrial relations

Why do workers have a community-type relationship with the enterprise in pursuit of profits where they happen to be employed? The answer strongly relates to the special feature of the traditional community in Japan. Most countries in East-Asia maintain communities of blood relations consisting mainly of family members or of relatives, whereas Japan alone has, in addition, a community of village or of regional community.

In the Japanese case, there are many mechanisms that persuade people to conform and to strive towards harmonious relationships; some of these ideas involve psychological dependence, learned at a very early age, called „amae" (psychological dependence) and ideas of „ninjo" (loyalty) and „giri" (obligation) which deal with obligation, loyalty and friendship. Ideas that the safety of the individual can only be guaranteed by belonging to a group, that the group allows the individual to be safe and secure beginning with a family and then with the corporation, are normative to Japan. The corporation offers job security, and patrimonial relations between the higher and lower levels of the organization. There exists an understood assumption that the employees in a big corporation will be cared for and therefore will be safe as long as they work hard in harmony with the rest of the group and try not to disrupt the stability of the organization.[93]

For the same reason, an enterprise in Japan can have the character of a community and the workers in the same workplace can be members of the workplace community. The community which thus emerged was not of the type consisting of relatives, but one evolving of a village or a regional society. For this reason, it is difficult to expect that the same situation can hold true with other Asian or European countries.

Beside the family-like relationship, paternalism is also a dominant feature of the Japanese industrial relations. It means that employees are treated as if they were members of a personified family (enterprise), and extracted the lifetime employment system as the essence of Japanese industrial relations.[94]

In the Japanese assumptive world, trust is basically invested in groups of individuals and the main way of organizing in society has to do with exercising social consensus. Social consensus which brings social control, therefore, is an essential part of Japanese society that may be gained through compromise and negotiation. Harmony is always striven for rather than conflict, which has caused a social law that is based on social relationships rather than impersonal state law to predominate.

In Western terms, people are not trusted because the assumption is that all individuals are concerned for themselves and if that causes conflict and one person's interest subsumes that of another, then it is simply world reality, or the „laws of nature". Laws, therefore, have to be rigorously enforced to prevent people from pursuing their own individual interests at the expense of the rest of society.[95]

In a Japanese company people have prescribed relations among themselves through egalitarianism, which has allowed workers' suggestions to be accepted and to be encouraged. In the Western systems, conflict is often the norm between an autocratic

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[93] Ruth *Taplin*, pp. 8–9.
[94] Mikio *Sumiya*, pp. 129–130.
[95] Ruth *Taplin*, 1995, pp. 8–9.

management and the workforce who have to carry out goals and objectives about which they have not been consulted by the management. This creates a great deal of antagonism which does not allow for quality circles to be effective because workers can't see where the quality circles are leading. If they feel that they are not being taken seriously as operators within the system, they will not see any sense in attending quality circles.[96]

11.4. Vertical egalitarianism

Groupism and egalitarian ranking are one of the basic primary elements of the Japanese society's uniqueness.[97] The idea of ranking and authority derives from Confucianism-based ideas of moral codes which are practiced in varying degrees of strictness throughout Japanese society.[98]

However, the idea of vertical egalitarianism-based ranking is a contradictory feature of Japanese society, which visibly exists in the corporations as well. It means that the cohesion of a certain group is primary and everyone is allowed equal membership in that group but in a socially agreed and accepted hierarchically-ranked order.[99]

In this system the leader's role is not to enhance his/her own importance or to lead per se but rather to facilitate group harmony and consensus in his/her capacity as group organizer.[100]

The organization of work in Japan is corporate based. A corporate harmonious pattern of work is used that benefits the entire group. Social relations give rise to a form of corporate group-based egalitarianism which is vertically ranked.[101]

Contrary, in the Western context, however, jobs may be linked to identity. In a class-based society such as many European nations, among them Hungary as well, occupation and education are integrally linked and occupational class-based scales are very rigorously assessed when people go out to find a job or attempt to obtain another one. People in a class-related occupation (i.e. manager, lawyer, professor, doctor etc.) hold a certain status because of their education and occupation. It is this education and occupation which provides security. The status which they have held in one job or their educational status provide them with the basic requirements to obtain another job.

In this environment, the company they first join in itself does not offer automatic security and safety, and the employer does not expect their employee to stay for ever in the firm. What does provide safety and security, if there is any, is the educational and occupational background of a particular employee. The emphasis in Western culture is basically on job mobility. Most people will move from one company to another to increase not only their breadth of experience but also their salaries, rather than wait for years for some movement at the top. Job satisfaction and salary are often linked, rather

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[96] Ruth *Taplin*, pp. 59–60.
[97] Ruth *Taplin*, pp. 13–14.
[98] Ruth *Taplin*, pp. 13–14.
[99] Ruth *Taplin*, pp. 10–11.
[100] Ruth *Taplin*, pp. 13–14.
[101] Ruth *Taplin*, pp. 15–16.

than feelings of safety and security within a particular company. In fact, safety and security are not really a feature of Western employment practice.[102]

11.5. Absenteeism in Hungary

Four-fifths of all full-day absences are caused by the inability to work for reasons of ill health. The analysis of absenteeism caused by ill health confirms the general, international experience that this absence is also not completely involuntary. Workplace conditions, the equilibrium of the labor market, the economic activity of women, the possibilities of complementary surplus earnings, the system of social insurance, terms and conditions governing benefits in the case of illness, the health services and the relationship between doctors and patients and other factors greatly influence the workers' choices between a state of „illness" and „health", which, in turn, determines the level of absenteeism and changes in absenteeism.

A large part of a further one-tenth of full-day absences is allowed by the enterprise, as unpaid leave. Most of these absences occur for family or other private reasons. A small part of unpaid absences is „unjustified" absence when employees stay away from work without any acceptable reason. According to empirical investigations, full-day absences for reasons other than ill health are in reality more numerous than shown in registered statistics.[103]

This is an important issue in Hungary, because the absenteeism rate is very high compared to Japan and to another market economy. Unfortunately, in this paper we have no possibility to deal with and analyze the detailed reasons.

12. Evaluation and trends

Finally we enumerate some basic issues and considered problems inspired by this paper. These are following:

a) Job rotation: too frequent, which means that managers in charge have not the time to be familiar and effective in his/her new job assignment, because before it they are moved to another post.

b) Specialist-generalist conflict (Western managers are specialist in one field; they trained to execute a particular type of job and they learned very particular skills to do – contrary, Japanese managers, mostly because of job rotation, are generalist, who are flexible and improvising and picking up skills in the course of doing the job).

Employees are able to rotate jobs and learn new technologies. They are thus very adaptable and can apply their skill to whatever job is before them. Everyone, no matter what university they have graduated from, starts at the bottom and climbs up to the top management. This engenders a certain sense of humbleness and also teaches staff all aspects of the functioning of the company. This is necessary for the implementation of life-time employment. However, the question still remained, whether are they able to fulfill successfully every position within the management circles.

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[102] Ruth *Taplin*, pp. 21–22.

[103] Times are changing, working time in 14 industrialized countries, ed. Gerhard Bosch, Peter Dawkins and Francois Michon, International Institute for Labor Studies, Geneva, 1993 pp. 178–179.

c) Japanese managers tend to make decisions as a consensus group decision in which the length of the decision making process (top-down/bottom-up type) is long; In contrary, Western managers tended to make decisions individually and quickly.

d) Many Japanese employees work so hard that some die (karoshi), some are perpetually exhausted and many rarely see their families because they work so late. Sick pay is not offered in most companies, there is even a legal obligation, and if ill, days off are deducted from annual leave. The average working day is from 9.00 am to 8.00 p.m. or 9.00 p.m. or even late night. Colleagues at work are all expected to go drinking together after hours and at weekends to play golf.

e) workers express their demands and suggestions while management communicates the needs of the company and policies for discussion. Where the system is deficient is that the decisions made in the actual working groups which meet in either workshops or quality circles have no real binding decision-making power. In the final result, it is the top managers who take the decisions, having taken into account all the feedback. Social pressure makes everyone agree.

f) In the West, it is quite usual for people to separate being busy at work from resting at home or somewhere else, making a division between the public and private life of the individual. This type of separation, however, is not one that occurs readily in Japan. The family life may be private but many Japanese workers and managers rarely spend time with their family. After hours drinking, dinner parties, socializing and golf tend to keep company people, above all men, away from their homes.

One of the basic considerations why the Japanese industrial relation system is unique, has already been noted earlier, namely that it is both ranked and hierarchical and has also a tendency towards groupism and egalitarianism.

The principle of management-led social relations is central to understanding how the Japanese manage their companies and their workforces. Even the labor unions, except minority unions, which may seem quite strong but which are not separate entities as they are in the West, are part of this process. The management invariably achieves dominance in the Japanese framework because unions are organized in such a way as to allow everyone to participate but which in the end, in many cases allows management to make the final decisions.

Japanese managers are a powerful tool in eliminating and neutralizing complaints of blatant managerial dominance. If, for example, there is a recession or there are financial problems within a company, the managers reduce their salaries accordingly. This is a very powerful argument within the collective bargaining arena to keep wages frozen or at a particular level, because managers can rightly say that what is good for them is good for everyone else in the company.[104]

Furthermore, one of the keys to Japanese success is their very keen understanding of the needs of the customer, how to behave towards the customer, and how to make it easy for the customer to purchase the companies' goods.[105]

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[104] Ruth *Taplin*, pp. 112–113.
[105] Ruth *Taplin*, p. 123.

Some final remark

This is a semi-final paper of a project conducted by the Faculty of Law of The University of Tokyo. The main aim of this study was to give a general comparative overview on the possible implementation of the Japanese industrial relations system in some developing countries, namely in my case the Hungarian situation. As we indicated above, this is the first written product of our research, consequently it touched upon only the most important and well known topics. Therefore, in the near future we intend to fulfill the original aim of the project and to submit a more detailed and sophisticated material.

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APPENDIX

Tables

Table 1

Balance of labor force in Hungary (January 1)

(Thousands)

Population by activity	*1990*	*1991*	*1992*	*1993*
Population				
Population under working age	2 130.5	2 063.7	2 009.8	1 958.0
Population in working age	5 956.8	5 997.4	6 031.4	6 056.5
Retired	2 287.5	2 293.7	2 296.0	2 295.7
Total	**10 374.8**	**10 354.8**	**10 337.2**	**10 310.2**
Source of labor force				
Population in working age	5 956.8	5 997.4	6 031.4	6 056.5
Male	3 107.2	3 125.4	3 141.7	3 152.6
Female	2 849.6	2 872.0	2 889.7	2 903.9
Active earners out of working age[106]	110.4	101.6	86.9	68.2
Male	44.7	35.6	37.4	27.7
Female	65.7	66.0	49.5	40.5
Employed pensioners over working age	378.0	333.0	247.3	185.3
Male	177.9	152.3	108.9	78.7
Female	200.1	180.7	138.4	106.6
Total	6 445.2	6 432.0	6 365.6	6 310.0
Male	3 329.8	3 313.3	3 288.0	3 259.0
Female	3 115.4	3 118.7	3 077.6	3 051.0
Source of labor force by economic activity				
Economically active population	5 496.1	5 404.4	5 202.3	5 015.0
Male	2 825.0	2 792.3	2 655.3	2 583.5
Female	2 671.1	2 612.3	2 547.0	2 431.5
People working abroad	3.6	15.0	30.0	28.0
Male	2.6	10.5	21.0	20.0
Female	1.0	4.5	9.0	8.0
Inactive population in working age	945.5	1 012.6	1 133.3	1 267.0
Male	502.2	510.7	611.7	655.5
Female	443.3	501.9	521.6	611.5
Of which: student	483.0	519.5	547.6	565.4
Male	250.4	269.9	280.3	286.5
Female	232.6	249.6	267.3	278.9
Pensioner	251.0	282.1	346.3	364.9
Male	157.1	175.8	202.2	215.9
Female	93.9	106.3	144.1	149.0
Dependents	211.5	211.0	239.4	336.7
Male	94.7	65.0	129.4	153.1
Female	116.8	146.0	110.2	183.6

Source: Hungarian Statistical Year Book, KSH, 1994, p. 53

[106] Those aged 14 years, as well as males aged 60 years and over and females aged 55 years and over.

Table 2

Indices of Gross Domestic Product in Hungary (GDP)

Year	*Gross Domestic Product (GDP)*	*Of which*				*Domestic use*	*Of which*
1980= 100.0		*Mining, manufac-turing, electricity*	*Construc-tion*	*Agri-culture and forestry*		*Final consump-tion*	*Gross capital formation*
1960	37.5	30.2	34.4	60.3	39.8	43.1	32.7
1970	62.9	57.4	56.7	74.1	67.7	68.5	65.7
1980	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1981	102.9	105.0	101.2	103.3	101.4	102.8	98.0
1982	105.8	109.9	100.5	115.4	101.3	104.0	94.6
1983	106.5	111.9	100.3	115.5	99.6	104.5	87.6
1984	109.4	114.7	97.9	120.8	99.9	105.8	85.5
1985	109.1	112.3	93.4	115.8	100.3	107.6	82.5
1986	110.7	111.7	93.58	119.9	104.2	110.2	89.6
1987	115.2	115.3	100.8	116.3	107.5	113.8	92.5
1988	115.1	113.6	95.3	125.5	104.4	110.6	89.4
1989	115.9	111.3	103.2	124.0	105.3	111.5	90.5
1990	111.8	102.7	80.6	118.2	102.2	108.5	86.7
1991	98.5	84.3	68.5	108.5	92.2	102.7	67.3
1992	94.3	77.6	68.0	93.4	86.6	101.3	50.5
1993	92.1	77.4	65.3	79.7	95.3	106.4	68.8

Source: Hungarian Statistical Year Book, KSH, 1994, p. 70

Table 3

The main sectors' contribution to the GDP in Hungary (%)

	1980	*1990*	*1991*	*1992*	*1993*
Public sector	90	76	70	56	42
Private sector (domestic)	10	23	27	36	45
Private sector (foreign)	0	1	3	8	13
Total GDP	100	100	100	100	100

Source: R. Andorka–T. Kolosi–Gy. Vukovich ed.: Társadalmi Riport (Social Report) 1994, TÁRKI, 1994, p. 220.

Table 4

The changed proportion of the sectors' contribution to GDP in Hungary between 1980 and 1993

	1980	*1993*
Public sector	90	42
Private sector (domestic)	10	45
Private sector (foreign)	0	13
Total	100	100

Source: R. Andorka–T. Kolosi–Gy. Vukovich ed.: Társadalmi Riport (Social Report) 1994, TÁRKI, 1994, p. 223.

Table 5

The hidden economy's contribution to the GDP in Hungary, divided by sectors

	1980	*1990*	*1991*	*1992*	*1993*
Public sector	21	17	14	10	8
Private sector (domestic)	79	83	85	88	90
Private sector (foreign)	0	0	1	2	2
Total GDP	100	100	100	100	100

Source: R. Andorka–T. Kolosi–Gy. Vukovich ed.: Társadalmi Riport (Social Report) 1994, TÁRKI, 1994, p. 221.

Table 6

The managers' ownership features in Hungary (1989–1993)

	There was his/her share in the company in 1989	*The managers' ownership situation in 1993*		
		Only in his/her company	In other company as well	Only in other company
Political elite	-	62.5	12.5	25.0
Top managers	22.6	19.2	9.4	23.4
Middle ranked managers	15.2	42.8	16.2	43.6
White collar employees (university graduate)	22.0	17.8	17.8	44.0
White collar employee (secondary school graduate	20.2	49.5	29.3	20.2
Blue collar workers	33.8	48.1	14.3	49.5
Average	12.1	20.5	8.5	21.8

Source: R. Andorka–T. Kolosi–Gy. Vukovich ed.: Társadalmi Riport (Social Report) 1994, TÁRKI, 1994, p. 348.

Table 7

The total and the private sector's workforce in different branches in Hungary (%)

Branches	*Total workforce*			*Private sector*
	1992	1993	1992	1993
Industry	26.9	25.3	37.0	33.1
Construction	6.1	5.7	11.3	8.1
Agriculture	10.9	8.9	5.5	10.3
Commerce	12.7	12.7	21.4	20.9
Health, Culture	15.3	17.6	2.4	3.2
Other services	18.3	20.7	22.4	24.4
Public Administration	9.8	7.4	-	-
Total	100	100	100	100

Source: R. Andorka–T. Kolosi–Gy. Vukovich ed.: Társadalmi Riport (Social Report) 1994, TÁRKI, 1994, p. 366.

Table 8

Hungarian Enterprises with Foreign Direct Investment by Categories of the Capital Paid in HUF

Categories, HUF million	*1991*			*1992*		
	Number of organiza-tions	*Capital paid in*	*Of which: foreign capital paid in*	*Number of organiza-tions*	*Capital paid in*	*Of which: foreign capital paid in*
		HUF billion				HUF billion
- 1	3 406	3.4	1.8	8 361	5.7	3.4
1.1 – 10	3 839	12.3	6.8	5 914	19.5	11.8
10.1 – 50	1 009	24.9	13.7	1 452	34.8	21.3
50.1 – 100	320	22.9	12.4	536	36.6	23.2
100.0 -	543	412.1	180.3	919	616.4	342.1
Total	**9 117**	**475.6**	**215.0**	**17 182**	**713.1**	**401.8**
Of which						
Only foreign participation	1 190	38.3	38.3	4 635	118.3	118.3
With majority of foreign participation	2 004	148.5	104.3	4 273	276.0	202.9
With majority of domestic participation	5 923	288.8	72.4	8 274	318.7	80.7

Source: Hungarian Statistical Year Book, KSH, 1994, p. 67

Table 9

Total Population and Labour Force in Japan (1,000 persons)

Total population		123,980
Labour force		65,050
Participation rate (%)		63.8
Male Total Population		63,930
Labour force		38,540
Participation rate (%)		77.6
15–24 for each age group (%)		45.0
25–54		97.2
55-		62.8
Female Total Population		63,050
Labour force		26,510
Participation rate		50.7
15–24 for each age group (%)		45.8
25–54		65.0
55		31.0

Source: ILO, Year Book of Labor Statistics, 1992.

Table 10

Private Establishments and Number of Persons Engaged by Size of Establishment in Japan (1991)

Size of Establishment	Number of establishment (Distributions %)		Number of employed (distributions %)	
All sizes	6,559,381	100.0%	55,014,018	100,0
1–4 persons	4,221,069	64.3	9,199,536	16,7
5–29 persons	2,052,790	31.3	21,116,549	38,4
30–99 persons	233,597	3.6	11,425,293	20,8
100–299 persons	42,487	0.6	6,673,059	12,1
300 or more persons	9,438	0.1	6,599,671	12,0

Source: Management and Coordination Agency, Establishment Census of Japan, 1991.

Table 11

Ratio of Employed Persons by Industry in Japan (%)

Industry		Ratio
Agriculture, hunting, forestry & fishing		6.6
Mining & quarrying		0.1
Manufacturing		23.8
Electricity, gas & water		0.5
Construction		9.3
Wholesale, retail trade, restaurants & hotels		22.0
Transport, storage & communication		5.8
Financing, insurance, real estate & business services		8.3
Communicaty, social & personal services		21.1
Not adequately defined		0.4
Unemployed		2.1
Total		**100.0**

Source: ILO, Year Book of Labour Statistics, 1992.

Table 12

New School Leavers and Persons Entering the Labor Market in Japan (1,000 persons; %)

Year	Persons entering the labor market (proportion)							
	Lower secondary school		Upper secondary school		Junior college		University	
March 1960	633	38.6	567	61.3	18	58.8	100	83.2
1965	549	26.5	690	60.4	35	63.8	135	83.4
1970	214	16.3	803	58.2	80	70.3	188	78.1
1975	63	5.9	577	44.6	103	73.3	233	74.3
1980	44	3.9	581	42.9	129	76.0	285	75.3
1985	50	3.7	547	41.1	141	80.7	288	77.2
1989	43	2.9	591	35.6	174	85.1	300	79.6
1990	40	2.8	608	35.2	181	87.0	324	81.0
1991	36	2.6	607	34.4	188	87.0	348	81.3
1992	31	2.3	584	33.1	194	85.7	350	79.9

Source: Ministry of Education, Basic Statistical Survey on School.

Table 13

Source of Juvenile Labor Force in Hungary

(thousands)

Source of labor force	*1991*	*1992*	1993	Of which	
				Male	*Female*
Completed studies in higher education	16.9	17.1	16.8	8.2	8.6
Completed secondary school or dropped out of higher education	37.2	41.9	55.1	27.2	27.9
Of which	12.6	13.1	17.4	7.2	10.2
Completed general secondary school	19.3	22.4	31.1	14.8	16.3
Completed vocational secondary school	5.3	6.4	6.6	5.2	1.4
Completed technical school	55.4	63.0	60.0	39.6	20.4
Passed skilled worker's examination	2.4	2.0	1.7	-	1.7
Completed school for short-hand-typing	1.5	2.0	1.8	0.0	1.8
Completed other specialized secondary school	1.0	1.6	5.7	1.6	4.1
Completed primary (general) school and did not continue learning or dropped out of secondary school	40.7	35.0	32.8	17.8	15.0
Didn't finish primary (general) school, reached the age of 16	12.4	10.0	6.8	4.1	2.7
Total	**167.5**	**172.6**	**180.3**	**98.3**	**82.0**
Of which					
Skilled	101.8	114.5	123.3	69.2	54.1
Unskilled	65.7	58.1	57.0	29.1	27.9

Source: Hungarian Statistical Year Book, KSH, 1994, p. 57

Table 14

Number of Labor Unions and Their Membership in Japan (As of June 30, 1992)

Year	Labor Unions[107]	Union membership (persons)[108]	Estimated Unionization Rate (%)
1935	993	408,662	6.9
1940	49	9,455	0.1
1945	509	380,677	3.2
1950	29,144	5,773,908	46.2
1955	32,012	6,285,878	35.6
1960	41,561	7,661,568	32.2
1965	52,879	10,146,872	34.8
1970	60,954	11,604,770	35.4
1975	69,333	12,590,400	34.4
1980	72,693	12,369,262	30.8
1985	74,499	12,417,527	28.9
1990	72,202	12,264,509	25.2
1991	71,685	12,396,592	24.5
1992	71,881	12,540,691	24.4

Source: Ministry of Labor, Basic Survey on Labor Unions, 1993

Table 15

Union Membership and Unionization Rate in Main Countries

	Japan (1992)	*United States (1992)*	*United Kingdom (1990)*	*Germany (1991)*
Number of employees (in thousands)	**51,190**	103,688	22,656	32,890
Union membership (in thousands)	**12,541**	16,390	9,947	13,817
Unionization rate (%)	**24.4**	15.8	43.9	42.0

Sources: Japan: Management and Cooperation Agency, Labor Force Survey, 1992 and Ministry of Labor, Basic Survey on Labor Unions, 1992
U.S.: Department of Labor, Employment and Earnings.
U.K.: Department of Employment, Employment Gazette.
Germany: Statistiches Bundesamt, Statistisches Jahrbuch.

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[107] These figures are based on Tan-i rodo kumiai (Unit labor unions). This is the basic organizational unit for unions in Japan and is comprised of workers in the factory, office site, etc. or an enterprise.

[108] Based on Tan-itsu rodo kumiai (Enterprise labor union) which in most cases, are comprised of the unions of a single enterprise.

Table 16

Monthly Regular Wage Differencials by Job Status in Japan (1,000 yen)

Year	Director	Section Chief	Chief Clerk	Non Position
1982	449.8	359.2	302.0	203.0
1983	466.6	372.9	311.8	209.6
1984	478.6	382.7	321.7	217.2
1985	488.1	394.5	333.1	226.5
1986	504.2	408.2	344.2	232.0
1987	518.1	417.7	347.0	237.2
1988	529.1	425.4	359.6	245.2
1989	553.0	445.2	372.7	256.3
1990	575.6	463.8	390.2	268.2
1991	592.8	475.7	403.5	278.9
1992	600.5	489.8	404.5	279.8

Source: Ministry of Labor, Basic Survey on Wage Structure, 1993

Table 17

Wage Differencials by Size of Enterprises and Age in Japan (Male)
(1,000 or more= 100)

Age (A) /Size of establishment (S)	1970	1975	1980	1985	1990	1992	
	Scheduled earnings					Monthly contractual cash earnings	Scheduled earnings
Total							
(S)100–999	89.8	89.5	86.3	85.4	84.6	84.0	85.5
10–99	86.8	82.9	81.2	78.8	79.3	79.3	81.3
(A) - 17							
(S)100–999	95.2	98.0	100.5	105.3	106.2	106.2	107.3
10–99	95.2	95.2	103.5	103.0	107.9	106.9	108.7
(A) 18–19							
(S)100–999	94.8	95.1	96.5	95.2	96.2	93.3	97.0
10–99	97.4	93.7	95.9	93.3	95.7	91.6	98.2
(A) 20–24							
(S)100–999	100.7	98.2	94.6	95.5	95.4	94.1	96.8
10–99	104.9	98.7	94.7	97.5	99.4	94.6	101.2
(A) 25–29							
(S)100–999	101.7	98.9	93.3	92.6	94.6	92.3	95.3
10–99	103.8	97.4	95.1	93.9	96.6	91.3	98.3
(A) 30–34							
(S)100–999	98.9	97.7	92.4	89.9	89.6	87.5	90.3
10–99	96.3	92.9	90.0	87.2	88.8	83.7	89.7
(A) 35–39							
(S)100–999	95.0	94.6	90.0	89.7	87.6	85.7	87.9
10–99	88.5	85.5	84.4	82.9	82.7	79.2	83.6
(A) 40–44							
(S)100–999	88.7	90.2	86.5	86.9	86.0	84.2	85.6
10–99	78.5	78.3	78.3	76.7	77.3	74.7	77.1
(A) 45–49							
(S)100–999	88.7	86.6	82.9	82.7	83.3	82.9	83.7
10–99	78.5	73.5	71.8	70.7	71.8	71.1	72.1
(A) 50–154							
(S)100–999	79.0	81.7	82.4	80.0	81.0	81.0	81.6
10–99	68.2	67.5	69.8	66.6	68.1	67.9	69.1
(A) 55–59							
(S)100–999	79.0	76.6	82.7	80.0	82.9	81.8	83.0
10–99	68.2	65.1	71.7	70.1	71.2	69.6	71.4
(A) 60–64							
(S)100–999	85.3	80.3	92.1	92.8	88.9	88.1	88.3
10–99	82.2	72.6	84.5	84.0	79.2	83.2	84.0
(A) 65-							
(S)100–999	85.3	80.3	89.9	104.8	87.2	98.6	98.6
10–99	82.2	72.6	83.4	89.1	76.6	93.8	94.9

Source: Ministry of Labor, Basic Survey on Wage Structure, 1993

Table 18

Average Daily Amount of Regional and Industrial Minimum Wages in Japan (As of March 31, 1993)

Minimum Wages		Average Daily Amount (yen)
Regional Minimum Wages		4,501
Industrial Minimum Wages		
Foodstuffs		4,717
Textiles		4,743
Lumber, woodwork, furniture etc.		5,235
Pulp, paper		5,038
Publishing, printing		5,200
Ceramic		4,624
Machinery and metal processing		5,099
Automobile repair		4,423
Wholesale and retail		4,889
Others		5,478
Total:		**5,063**
Mining (central decision)		6,627

Source: Ministry of Labor

Table 19

Wage Increase Trends Determined by Spring Labor Offensive and Bonus Payments in Japan (Summer and Year-end)

Year	Wage Increase at Spring Labor Offensive (%)		Bonus Payment Increase (%) (Major Firms)	
	Major Firms	Small and Medium Scale Firms	Summer	Year-end
1978	5.75	6.4	2.2	5.5
1979	5.83	6.5	11.5	10.3
1980	6.74	7.4	10.3	8.7
1981	7.68	7.9	7.6	7.2
1982	7.01	6.9	5.2	3.2
1983	4.40	4.5	1.7	2.7
1984	4.46	4.5	4.5	5.2
1985	5.03	4.8	6.0	4.4
1986	4.55	4.2	2.1	1.5
1987	3.56	3.3	1.8	2.5
1988	4.43	3.9	5.7	6.7
1989	5.17	4.7	8.1	8.5
1990	5.94	5.53	8.0	6.8
1991	5.65	5.52	5.5	3.6
1992	4.95	4.98	2.7	0.2

Source: Surveyed by Ministry of Labor, 1993
Note: Surveys are based upon results from 290 major firms and 8,000 small and medium scale firms, all of which are organized.

Table 20

The Hungarian Wage Structure in 1994 (%)

Gross monthly salary	*Blue collar*			*White collar*			*Total workforce in full employment status*			*Net monthly salary (HUF)*
(HUF)	*Man*	*Woman*	*Total*	*Man*	*Woman*	*Total*	*Man*	*Woman*	*Total*	
-10,000	0.9	2.2	1.4	0.3	0.2	0.2	0.7	1.1	0.9	-8850
10,001–12,000	2.4	5.5	3.6	0.7	0.8	0.8	2.0	3.0	2.5	8851–10,329
12,001–14,000	2.9	9.5	5.4	0.4	1.3	1.0	2.2	5.1	3.6	10,330–11,745
14,001–17,000	6.5	18.8	11.1	1.2	3.8	2.9	5.1	10.8	7.9	11,746–13,742
17,001–20,000	9.4	17.3	12.4	2.0	6.4	4.9	7.4	11.5	9.4	13,743–15,733
20,001–25,000	18.7	20.7	19.3	5.8	15.2	11.9	15.1	17.8	16.3	15,734–18,673
25,001–30,000	18.3	12.4	16.0	8.3	17.2	14.0	15.6	14.9	15.2	18,674–21,549
30,001–35,000	13.3	6.4	10.7	9.5	14.0	12.4	12.3	10.5	11.4	21,550–24,425
35,001–40,000	9.4	3.3	7.1	10.2	10.2	9.6	7.0	8.3	7.8	24,426–27,115
40,001–50,000	10.1	2.6	7.3	16.5	13.4	14.4	11.8	8.4	10.2	27,116–32,425
50,001–70,000	6.3	1.1	4.4	21.0	10.5	14.3	10.3	6.1	8.3	32,426–42,400
70,001–100,000	1.5	0.2	1.1	13.2	4.3	7.4	4.7	2.4	3.6	42,401–57,268
100,001–150,000	0.3	0.0	0.2	7.0	1.9	3.7	2.1	1.0	1.6	57,269–82,048
150,001–	0.0	0.0	0.0	3.9	0.8	1.9	1.1	0.4	0.8	82,049–
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Source: Cs. Vértes: Védett férfiak (Protected Men), Figyelõ, Menedzser Piac 5. szám, 1995 május, p. 5.

Table 21

Employed Persons in Non-Agricultural Industries by Employment Status in Japan (1,000 persons)

Year	Total	Self-employed workers			Family workers	Employees			
		Total	With employees	Without employees		Total	Regular employees	Temporary employees	Day laborers
1980	50,040	6,980	1,800	5,180	3,540	39,410	35,670	2,520	1,230
1985	53,430	6,980	1,840	5,140	3,410	42,850	35,370	3,170	1,200
1986	54,030	6,990	1,870	5,120	3,380	43,500	39,130	3,190	1,180
1987	54,650	7,030	1,910	5,130	3,430	43,990	39,440	3,420	1,130
1988	55,760	7,040	1,910	5,130	3,440	45,070	40,320	3,560	1,190
1989	57,090	6,990	1,880	5,110	3,410	46,480	41,550	3,720	1,220
1990	58,390	6,820	1,850	4,980	3,300	48,060	42,960	3,890	1,210
1991	59,770	6,730	1,800	4,930	3,130	49,720	44,560	3,940	1,230
1992	60,610	6,610	1,820	4,790	2,950	50,860	45,660	4,040	1,170
Male	36,230	4,320	1,480	2,840	550	31,250	29,630	1,110	500
Female	24,380	2,300	340	1,960	2,400	19,620	16,020	2,930	670

Source: Management and Coordination Agency, Labour Force Survey, 1992.

Table 22

Number of Regular and Non-Regular Employees in Japan (1993)

	Total	*Regular employees*	*Non-regular Employees*		
Number (1,000)			***Total***	***Part-timres***	***Arubaito***
Total	47,430	37,560	9,860	5,650	4,210
Male	28,810	26,100	2,700	370	2,330
Female	18,620	11,460	7,160	5,280	1,880
Percentage					
Total	100.0	79.2	20.8	11.9	8.9
Male	100.0	90.6	9.4	1.3	8.1
Female	100.0	61.5	38.5	28.4	10.1

Source: Management and Coordination Agency, Special Survey of Labour Force, 1993.

Table 23

Economically Active Population in Hungary (January 1)

Year	Active earners	On child care leave[109]	Employed pension-ers	Employed total	Un-employed	Total:	Rate of activity, %	Unemp-loyment rate, %
1980	5 073.6	264.0	396.0	5 733.6	-	5 733.6	85.0	-
1981	5 014.5	254.1	432.0	5 700.6	-	5 700.6	85.0	-
1982	5 001.9	241.5	435.0	5 678.4	-	5 678.4	85.4	-
1983	4 970.0	233.2	443.0	5 646.3	-	5 646.3	85.3	-
1984	4 940.0	223.9	452.0	5 615.9	-	5 615.9	85.0	-
1985	4 912.9	217.6	460.0	5 590.5	-	5 590.5	84.8	-
1986	4 892.5	219.8	468.0	5 580.3	-	5 580.3	84.9	-
1987	4 885.2	224.8	479.0	5 589.0	6.4	5 595.4	85.5	0.1
1988	4 844.8	230.7	473.0	5 548.5	10.9	5 559.4	85.2	0.2
1989	4 822.7	241.0	441.3	5 505.0	14.2	5 519.2	85.3	0.3
1990	4 795.2	244.7	432.0	5 471.9	24.2	5 496.1	85.3	0.4
1991	4 668.7	251.6	383.6	5 303.9	100.5	5 404.4	84.0	1.9
1992	4 241.8	262.1	292.3	4 796.2	406.1	5 202.3	81.7	7.8
1993	3 866.9	262.1	223.0	4 352.0	663.0	5 015.0	79.5	13.2

Source: Hungarian Statistical Year Book, KSH, 1994, p. 54.

[109] Persons taking advantage of child-care allowance of fee.

Table 24

Unemployment Situation in Hungary

(Person)

Denomination	*1991*	*1992*	*1993*	*June, 1994*		
	At the end of the year			*Male*	*Female*	*Total*
Number of registered unemployed	406,124	663,027	632,050	319,463	237,000	556,463
Manual workers	338,619	554,163	524,479	287,132	165,552	452,684
Non-manual workers	67,505	108,864	107,571	32,331	71,448	103,779
Persons obtaining unemployment benefit						
Staff number at closing day	312,077	476,962	326,618	115,224	92,655	207,879
–Blue-collar workers	264,017	398,740	305,388	106,121	71,993	178,114
–White-collar workers	48,060	78,222	21,230	9,103	20,662	29,765
By school qualification	32,419	37,684	16,984	5,761	4,169	9,930
–Less than 8 grades of primary (general) school	113,073	170,279	105,151	32,608	33,819	66,427
–Finished apprentice school	97,835	164,075	117,909	52,658	20,292	72,950
–Finished vocational school	4,343	7,154	6,206	807	3,521	4,328
– Finished secondary school	55,035	85,846	70,549	19,818	28,260	48,078
Took part in high-level education	9,372	11,924	8,819	3,572	2,594	6,166
***By period of the support** (in days)*						
0–60	79,303	70,280	56,623	18,083	18,167	36,250
61–120	67,501	72,580	56,418	20,492	17,850	38,342
121–180	48,635	55,081	39,137	20,993	16,379	37,372
181–240	36,077	49,441	32,675	16,811	12,498	29,309
241–300	25,574	48,156	29,430	14,094	11,265	25,359
301–360	23,974	38,181	29,541	10,579	8,130	18,709
361–420	9,085	39,102	34,806	3,283	1,677	4,960
421-	27,748	104,141	47,988	10,889	6,689	17,578

Source: Hungarian Statistical Year Book, KSH, 1994, p. 62

Table 25

Distribution of Unemployed Persons by Duration of Job Search[110]

Duration of job search	*1992*		*1993*		*1994 I quarter*		*1994 II quarter*	
	thou-sands	*%*	*thou-sands*	*%*	*thou-sands*	*%*	*thou-sands*	*%*
1–4 weeks	43,9	10,2	36,2	7,3	34,2	7,4	27,2	6,4
5–14 weeks	90,9	21,0	74,8	15,2	64,8	14,0	48,5	11,3
15–26 weeks	96,4	22,3	87,9	17,8	74,3	16,0	69,4	16,2
27–52 weeks	121,3	28,0	135,2	27,5	107,2	23,1	103,9	24,3
53–78 weeks	41,7	9,6	75,1	15,2	73,2	15,8	63,2	14,8
79 weeks and more	38,4	8,9	83,7	17,0	109,6	23,7	115,4	27,0
Total	**432,6**	**100,0**	**492,9**	**100,0**	**463,3**	**100,0**	**427,6**	**100,0**

Source: Labor force survey; datas available in the Hungarian Statistical Year Book, KSH, 1994, p. 57

Table 26

Number and Ratio of Unemployed Persons in Japan (1,000 persons; %)

Year	Number	Percentage
1975	1,000	1.9
1980	1,140	2.0
1985	1,560	2.6
1990	1,340	2.1
1992	1,420	2.2

Source: ILO, Bulletin of Labour Statistics, 1993

[110] Excluding persons who will begin a new job within 30 days.

Table 27

Number of Female Part-Time Workers and Their Ratio to the Total Number of Female Employees in Japan

Year	Female employees		Part-time female employee	
	Number (1,000)		*Number (1,000)*	*Ratio (%)*
1960	6,390		570	8.9
1965	8,510		820	9.6
1970	10,680		1,300	12.2
1975	11,370		1,980	17.4
1980	13,230		2,560	19.3
1988	16,350		3,860	23.6
1989	17,130		4,320	25.2
1990	17,950		5,010	27.9
1991	18,750		5,500	29.3
1992	19,300		5,920	30.7

Source: Management and Coordination Agency, Labor Force Survey, 1993
Note: Female part-time workers ate those whose working hours during the week surveyed are less than 35 hours.

Table 28

Structure of Female Part-Time Workers in Japan (1991)

	Rate (%)
By Industry	
Wholesale and retail trade	34.4
Service	28.9
Manufacturing	21.1
Others	15.6
By Size of Firm	
1–29 employees	44.1
30–99	14.6
100–499	13.4
500-	19.8
Public Sector Workers	7.2

Source: Management and Coordination Agency, Labor Force Survey, 1992

Table 29

Distribution of Part-time Workers by Size of Firm and Industry, and Their Share in Total Number of Employees in Japan

Size of Firm	Percentage Composition						Part-timer's share in total employees (%)					
	1975	1980	1985	1989	1990	1991	1975	1980	1985	1989	1990	1991
Total	100.0	100.0	100.0	100.0	100.0	100.0	2.9	5.8	7.6	13.0	11.1	12.6
1,000 or more	10.7	15.7	16.9	14.0	14.0	15.0	1.4	3.8	5.7	6.7	6.7	8.9
300–999	6.4	13.0	10.6	12.6	14.0	12.6	1.6	6.3	7.3	11.0	11.7	12.1
100–299	16.3	16.7	16.0	17.4	13.3	16.2	2.9	6.8	8.9	10.8	9.1	12.6
30–99	20.5	19.9	23.3	23.6	23.1	20.0	3.2	6.7	11.2	14.7	14.2	13.6
5–29	44.6	33.3	31.2	30.5	33.4	34.4	5.4	7.9	11.4	16.1	14.6	15.8
Industry												
Mining	0.1	0.0	0.0	0.0	0.0	0.0	0.6	0.2	0.4	0.3	0.4	0.9
Manufacturing	40.2	35.4	37.4	32.0	31.2	25.7	2.7	5.3	8.5	10.2	10.1	10.4
Wholesale & retail trade	43.0	45.7	40.9	45.0	42.8	48.0	5.6	11.2	14.6	20.4	18.1	25.5
Finance & insurance	1.0	0.7	1.1	2.0	2.6	1.3	0.5	0.7	1.7	4.1	5.4	3.4
Real estate	0.1	0.2	0.3	0.4	0.6	0.5	0.4	1.6	4.0	6.9	7.3	7.4
Transport & communication	1.5	1.9	3.5	2.2	2.3	3.1	0.4	1.0	2.9	2.6	2.7	4.5
Electricity, gas & water supply	0.1	0.0	0.0	0.1	0.1	0.1	0.3	0.1	0.4	0.9	0.9	2.1
Services	14.2	16.0	16.8	18.4	20.4	19.4	2.9	5.3	7.2	10.0	10.0	11.7
Number of part-time workers (1,000)	698,6	1,458.5	2.295.5	3,330.9	3,658.7	4,666.0						

Source: Ministry of Labor, Survey on Employment Trend, 1992.

Table 30

The distribution of the labor force employed in the „socialist" sector according to the main types of time patterns of work[111]

Sectors	*Percentage of employees working in*					*Total*
	Fixed working time (%)				*Flexible working time*	
	Equal daily length	*Unequal daily length*	*Divided daily length*	*Stagge-red daily length*		
Industry	92.5	1.7	0.1	1.2	4.5	100.0
Construction	44.9	42.0	0.2	0.6	12.3	100.0
Agriculture	75.6	17.4	4.4	0.6	2.0	100.0
Transport and communication	61.5	14.8	2.1	15.2	6.4	100.0
Trade	72.0	12.7	5.3	1.9	8.1	100.0
Water supply	68.7	21.0	0.3	1.2	8.8	100.0
Other material activities	79.4	9.0	1.1	0.9	9.6	100.0
Health, social and cultural services	76.5	13.4	1.6	4.2	4.3	100.0
Total	78.2	11.2	1.5	3.1	6.0	100.0

Source: Times are changing, working time in 14 industrialized countries, ed. Gerhard Bosch, Peter Dawkins and Francois Michon, International Institute for Labor Studies, Geneva, 1993, p. 183

[111] We regard those patterns of work as „fixed", in which the length and arrangement of working time – with the exception of certain employees – are determined solely by the employer in a uniform way and with a compulsory validity for the whole or larger groups of the manpower stock. Here belong: a) the daily working time of equal length and a fixed arrangement; b) unequal working time, in which the number of daily working hours to be performed may change by day, week, month or season; c) divided daily working time discontinued for a worktime break longer than the usual lunch break; and d) staggered hours in the arrangement of which the starting working time is determined differently for geographical areas, for enterprises or for groups and departments within them. The „flexible working-time" category includes those systems in which both the length and the arrangement of working time is determined by individual agreements between the employer and employee. In Hungary, the type which is almost exclusively applied is the one in which employees are relatively free to determine their daily starting and finishing times.

Table 31

Industrial Disputes by Demand in Japan

Year	No. of Cases	Classification					
		Pay Raise	Temporary allowance	Change of working hours	Objection to Dismissal Reinstatement	Objection to discontinuance/ shutdown / contradiction of business	Others
1970	4,511	2,131	1,260	16	137	28	509
1975	8,435	5,304	1,971	47	106	32	1,723
1980	4,376	3,236	722	48	112	26	1,914
1985	4,826	2,890	595	29	98	26	3,050
1990	2,071	954	1,123	39	40	16	151
1991	1,292	775	269	94	45	35	85
1992	1,138	632	215	83	51	30	55

Source: Ministry of Labor, Statistical Survey on Industrial Disputes.

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